

*State of  
North Dakota*

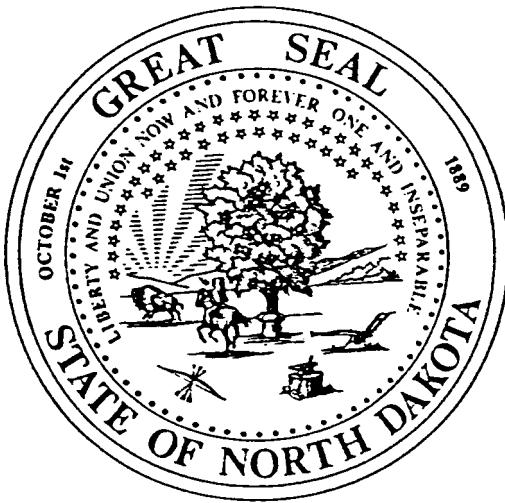
**Comprehensive Annual  
Financial Report  
For the Fiscal Year Ended June 30, 2015**

# STATE OF NORTH DAKOTA

## Comprehensive Annual Financial Report

FOR THE FISCAL YEAR ENDED

**June 30, 2015**



*Prepared by the Office of Management and Budget*

State of North Dakota  
Office of Management and Budget  
Fiscal Management Division  
600 East Boulevard Avenue Dept. 110  
Bismarck, ND 58505-0400  
701-328-2680

This CAFR is also available at our Fiscal Management website: <http://www.nd.gov/fiscal/cafra/>

**Cover:** Photo on cover provided by North Dakota Tourism/Jason Lindsey

**COMPREHENSIVE ANNUAL FINANCIAL REPORT  
FOR THE FISCAL YEAR ENDED JUNE 30, 2015  
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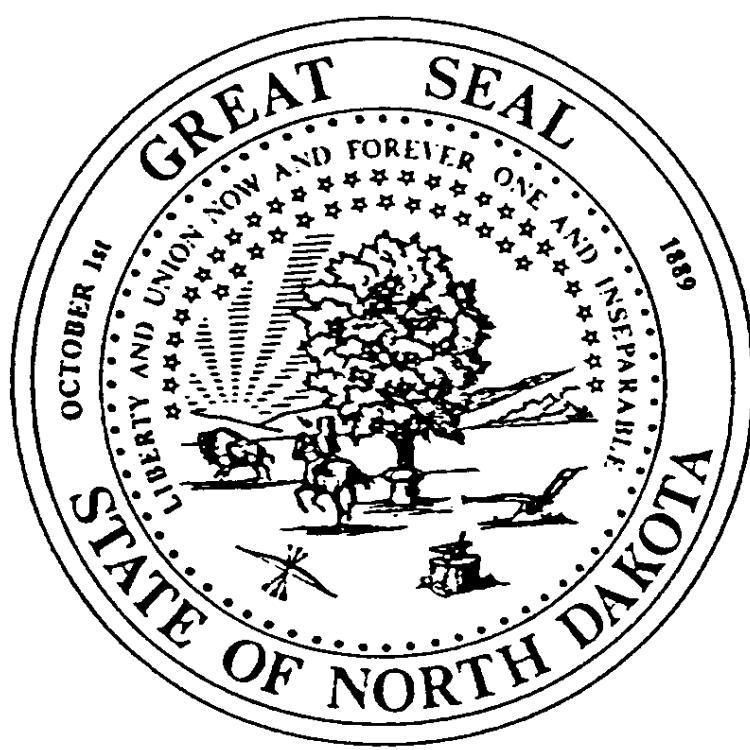
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# Introductory Section



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**State of North Dakota**  
**OFFICE OF MANAGEMENT AND BUDGET**

600 East Boulevard Avenue, Dept. 110 • Bismarck, North Dakota 58505-0400  
FAX – 701.328.3230

December 16, 2015

To the Governor, Legislators and Citizens of the State of North Dakota:

In accordance with North Dakota Century Code (NDCC) section 54-44-04(14), we are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the State of North Dakota for the fiscal year ended June 30, 2015. This report has been prepared by the Office of Management and Budget. The financial statements contained in the CAFR have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to state and local governments, as promulgated by the Governmental Accounting Standards Board (GASB). Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the state's management. To the best of our knowledge and belief, the information contained in the CAFR is accurate in all material respects and reported in a manner that presents fairly the financial position and results of operations of the State's primary government and the component units for which it is financially accountable. All disclosures necessary to enable the reader to gain an understanding of the State of North Dakota's financial affairs have been included.

The state's management is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the government are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of financial statements in conformity with accounting principles generally accepted in the United States of America. The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that (1) the costs of a control should not exceed the benefits likely to be derived and (2) the valuation of costs and benefits requires estimates and judgments by management.

In compliance with state statute, the Office of the State Auditor (SAO) audited the State's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the State for the fiscal year ended June 30, 2015 are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and evaluating the overall financial statement presentation. Their examination was conducted in accordance with GAAP and the standards applicable to financial audits contained in *Government Auditing Standards* as published by the Comptroller General of the United States. The SAO concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the State's financial statements for the fiscal year ended June 30, 2015, are fairly presented in conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

The State of North Dakota is also required to undergo a single audit in conformity with the provision of the Single Audit Act Amendments of 1996 and the U.S. Office of Management and Budget's Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Information related to this single audit, including a schedule of expenditures of federal awards, the independent auditor's reports on internal controls and compliance with applicable laws and regulations, and a schedule of findings and questioned costs, are included in a separately issued biennial single audit report.

Management's Discussion and Analysis (MD&A) immediately follows the Independent Auditor's Report and provides a narrative introduction, overview and analysis of the basic financial statements. This letter of transmittal is intended to complement MD&A and should be read in conjunction with it.

## PROFILE OF THE GOVERNMENT

The State of North Dakota provides for a full range of services, including education, health and social services, highway maintenance and construction, law enforcement, judicial, public safety, business regulation, community and economic development, and natural resource development. The State's reporting entity reflected in the CAFR includes all the funds of the state as legally defined, as well as all of its component units in conformity with the requirements of GASB Statement No. 14. Statement No. 14 provides that the financial statements should emphasize the primary government and permit financial statement users to distinguish between the primary government and its component units. Consequently, the transmittal letter, MD&A, and the financial statements focus on the primary government and its activities. Although information pertaining to the discretely presented component units is provided, their separately issued financial statements should be read to obtain a complete overview of their financial position. The State's reporting entity is described more fully in Note 1A to the basic financial statements.

The State operates through a biennial appropriation, which represents agency appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session. The budget is legally required to be adopted through passage of appropriation bills by the Legislative Assembly and signed by the governor. The governor has line item veto powers over all appropriations subject to legislative override. Once passed and signed, the appropriation bill becomes the departments' financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, allotment, or referendum action.

The State does not budget by fund nor does it formally budget revenues. The legal level of budgetary control is at the agency, appropriation authority and expenditure line item level. The State's budgetary policies and procedures are further explained in Note 1D on the notes to the basic financial statements.

## LOCAL ECONOMY

Although the North Dakota economy is increasingly diversified, the agricultural industry continues to play a key role in the state's economy. The USDA's National Agricultural Statistics Service reports that for 2014 crop production, North Dakota is the nation's leading producer of durum wheat, spring wheat, canola, flaxseed, dry edible beans, oil sunflowers and honey.

The energy industry plays an important role in the state's economy. The development of wind and coal resources, the production of ethanol and bio-diesel, and oil and natural gas extraction all contribute to the state's economy. Oil production continues at over one million barrels per day in 2015. North Dakota's current crude oil production ranks second in the nation, behind only Texas. Low oil prices are leading to lower state and local tax revenues. The actual average price per barrel realized in October 2015 for North Dakota crude was \$39.09, down \$5 from the anticipated price.

As the flourishing North Dakota economy attracts workers to the state, the state's population continues to grow and, based on the 2010 census, has reached a level not seen since the 1930's. The influx of people, along with a large state investment in infrastructure, has helped to fuel a construction boom. Construction accounts for over 7 percent of employment in the state, compared to only around 4 percent for the U.S. Manufacturing is also a prominent player in the state's economy, accounting for nearly 6 percent of employment; mining, which includes oil extraction and production, provides jobs for another 6 percent of the state's workforce, compared to less than 1 percent nationally.

Oil and gas make up more than 42 percent of the state's exports. Other major exports are machinery and transportation equipment, agriculture products, chemicals, and coal. In 2014, exports totaled nearly \$5.5 billion.

A listing of the state's twenty largest employers demonstrates the diversity of the economy. Top employers include: the U.S. military, the state university system, health care providers, manufacturers, financial and insurance companies, information technology companies, energy producers, and retail companies.

## LONG-TERM FINANCIAL PLANNING

The long-term financial plan of the state was summarized by Governor Dalrymple in his budget address to the 2015 legislature. The Governor's financial plan for the state encompasses three main objectives: to fund priorities such as education, human services, and infrastructure development; maintain significant financial reserves; and provide tax relief.

For the 2015-17 biennium, the legislature approved a budget that increases general fund appropriations for elementary and secondary education by 6 percent and human services by 14 percent.

By the end of the 2015-17 biennium, reserves are anticipated to total over \$2 billion. Reserves include the budget stabilization fund, strategic investment and improvements fund, foundation aid stabilization fund, and tax relief fund ending balance. In addition, the legacy fund is projected to have a balance of \$4.46 billion. The legacy fund was established by the voters in November 2010 as a "savings account" to save a portion of oil tax revenues. The legacy fund will accumulate 30 percent of the state's share of oil tax revenue. Through a constitutional limitation, moneys in the fund cannot be spent until July 1, 2017. After that time, oil tax collections will continue to add to the principal of the fund and interest will accrue to the state general fund. Beginning July 1, 2017, up to 15 percent of the principal of the fund can be spent each biennium, but only with the approval of two-thirds of the members of both houses of the legislature.

As recommended by the Governor, the legislature provided reductions in tax rates for individuals and corporations.

Revenue forecasting that is accurate, conservative, and credible is a critical component of the state's financial planning process. The state utilizes a Revenue Forecasting Advisory Committee, comprised of representatives of the major industries in the state and the legislative and executive branches of government, along with the expertise of a national economic forecasting consultant. With the assistance of these experts, the state's Tax Department and Office of Management and Budget develop a revenue forecast for use in the budgeting process.

The budgeting process begins with the development of a biennial budget proposal reflecting the Governor's priorities for the next two years. The budget is submitted to the legislature for their consideration and eventual enactment. With a biennial budget cycle, each revenue forecast and budget proposal provides a three-year plan for the revenues and expenditures of state government.

## RELEVANT FINANCIAL POLICIES

North Dakota's financial policies ensure that in the event of an economic downturn, North Dakota state government will be able to continue to provide its citizens with necessary services. Should North Dakota experience a revenue shortfall of 2.5 percent or more, the state is able to access funds from the budget stabilization fund. By June 30, 2017, the budget stabilization fund is anticipated to have a balance of \$572 million, which is the statutory limit of 9.5 percent of the 2015-17 biennium state general fund budget.

In addition to accessing the budget stabilization fund, in the event of an economic downturn the Governor is able to reduce general fund expenditure authority uniformly across state agencies through a process known as allotment. In the event of such a general fund expenditure reduction, the foundation aid stabilization fund was established to protect the state education aid program. Dollars from this fund would replace the amount of general fund dollars cut, thus K-12 education would not experience a reduction in funding. Funding for the foundation aid stabilization fund comes from a portion of oil extraction tax collections. The foundation aid stabilization fund is expected to have a June 30, 2017 balance in excess of \$700 million.

Oil tax collections are split between state government and local political subdivisions. The state has recognized that while tax collections from oil contribute significantly to the state, the volatility of oil price and production levels make it difficult to rely on oil tax revenue to fund general government operations. Consequently, the general fund portion is limited to no more than \$300 million per biennium.

## MAJOR INITIATIVES

Major initiatives proposed by Governor Jack Dalrymple and approved by the legislature for the 2015-17 biennium include investing in infrastructure and in other priorities, continuing to build the state's reserves, and providing North Dakota's citizens with substantial tax relief.

## **INFRASTRUCTURE INVESTMENTS**

The 2015-17 biennium budget includes funding to rebuild and repair roads throughout the state and provides increased oil tax distributions and impact grants to counties and cities to fund a variety of local infrastructure projects. Funding for infrastructure improvements includes:

- \$976.7 million to rebuild and repair state highways in the west region of the state.
- \$240 million for county road projects within the 17 oil and gas producing counties in western North Dakota.
- \$248 million dedicated to the repair and rebuilding of county and township roads outside the state's oil and gas region.
- \$140 million in grant funds to help communities in oil country offset direct impacts created by the rapidly developing energy industry.
- \$1.02 billion for water-related projects, including the Grand Forks water treatment plant, Central Dakota water supply, Fargo flood control, Stutsman County water reuse facility, Northwest Area Water Supply, Red River Valley water supply, Southwest Pipeline Project, Western Area Water Supply, Weather Modification, and other water programs.

## **TAX RELIEF**

The legislature approved and the Governor signed into law a tax relief package that provides:

- Individual and corporate income tax rate reductions resulting in taxpayer savings of approximately \$138 million during the 2015-17 biennium.
- State-paid property tax credit of 12 percent, providing property tax relief in the amount of \$250 million.
- \$20 million for the homestead tax credit program and \$7.7 million for the disabled veterans property tax credit.

## **EDUCATION**

K-12 education initiatives include:

- \$1.91 billion in state funding for K-12 schools through integrated funding formula.
- \$15 million in grants to districts experiencing rapid enrollment growth.
- \$57 million to assist districts in the provision of transportation services.
- Over \$23 million for grants to support and expand career and technical education course offerings.

Higher Education initiatives include:

- \$166 million for capital projects and extraordinary repair projects at the eleven campuses.
- \$14 million to sustain the career and technical education and academic scholarship program.
- \$23 million for the North Dakota Higher Education Challenge matching grant fund, to encourage philanthropy by providing a state match for private contributions to the state's colleges and universities.
- \$3 million to enhance campus safety and security.

## **RESERVES**

The 2015-17 biennium budget assumes that ongoing revenues exceed ongoing appropriations and reserve funds will continue to grow. By June 30, 2017, total reserves in the budget stabilization fund, foundation aid stabilization fund, strategic investment and improvements fund, and tax relief fund ending balance are anticipated to be approximately \$2 billion. The general fund budget for the 2015-17 biennium is \$6.04 billion.

## **AWARDS AND ACKNOWLEDGEMENTS**

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of North Dakota for its comprehensive annual financial report for the fiscal year ended June 30, 2013. This was the 23rd consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report.

This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements, and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, the State of North Dakota received the GFOA's Award for Distinguished Budget Presentation for its 2013-2015 budget. In order to qualify for the Distinguished Budget Presentation Award, the State's budget document was judged to be proficient in several categories, including policy documentation, financial planning, and organization.

This report was prepared by staff members of the Fiscal Management Division of the Office of Management and Budget. Their dedication and efforts are greatly appreciated. We also extend our gratitude to the numerous individuals from virtually all the state agencies and institutions, especially the Office of the State Auditor, for their assistance.

Sincerely,

A handwritten signature in black ink, appearing to read "Pam Sharp".

Pam Sharp  
Director



Government Finance Officers Association

# Certificate of Achievement for Excellence in Financial Reporting

Presented to

**State of North Dakota**

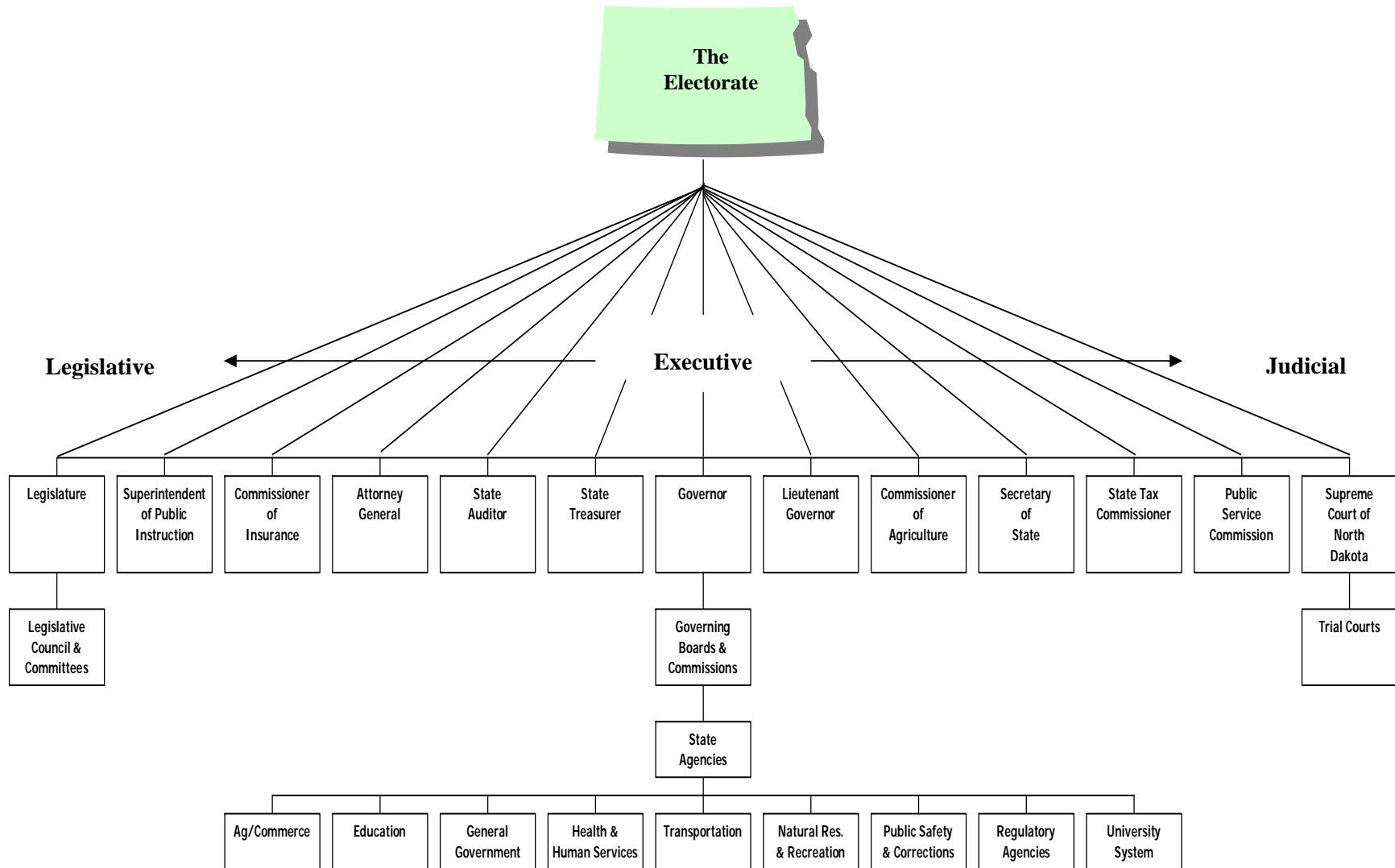
For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

**June 30, 2014**

A handwritten signature in black ink, appearing to read 'Jeffrey R. Emar'.

Executive Director/CEO

## STATE OF NORTH DAKOTA ORGANIZATIONAL CHART



**NORTH DAKOTA**  
**PRINCIPAL STATE OFFICIALS**  
**June 30, 2015**

**ELECTED OFFICIALS**

Jack Dalrymple, Governor  
Drew Wrigley, Lieutenant Governor  
Alvin A. Jaeger, Secretary of State  
Wayne Stenehjem, Attorney General  
Julie Fedorchak, Public Service Commissioner  
Randel Christmann, Public Service Commissioner  
Brian Kalk, Public Service Commissioner  
Doug Goehring, Commissioner of Agriculture  
Robert R. Peterson, State Auditor  
Adam Hamm, Commissioner of Insurance  
Kirsten Baesler, Superintendent of Public Instruction  
Ryan Rauschenberger, Tax Commissioner  
Kelly Schmidt, State Treasurer

**LEGISLATIVE**

Wesley R. Belter, Speaker of the House  
Al Carlson, House Majority Leader  
Kenton Onstad, House Minority Leader  
Lt. Gov. Drew Wrigley, President of the Senate  
Rich Warnder, Senate Majority Leader  
Mac Schneider, Senate Minority Leader

**JUDICIAL**

Gerald W. VandeWalle, Chief Justice, North Dakota Supreme Court  
Dale V. Sandstrom, Justice  
Carol Ronning Kapsner, Justice  
Daniel J. Crothers, Justice  
Lisa K Fair McEvers, Justice

## Financial Section



STATE OF NORTH DAKOTA  
**OFFICE OF THE STATE AUDITOR**  
STATE CAPITOL  
600 E. BOULEVARD AVENUE - DEPT 117  
BISMARCK, NORTH DAKOTA 58505

### **Independent Auditor's Report**

The Honorable Jack Dalrymple, Governor  
of the State of North Dakota

Members of the Legislative Assembly  
of the State of North Dakota

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the following state entities and discretely presented component units:

Bank of North Dakota	Mandan Remediation Trust
Beginning Farmer Revolving Loan Fund	Medical Facility Infrastructure Loan Program
Building Authority	PACE and AG PACE Funds
College SAVE	Public Employees Retirement System
Community Water Facility Loan Fund	Rebuilders Loan Program
Department of Trust Lands	Retirement and Investment Office
Guaranteed Student Loan Program	State Fair Association
Housing Finance Agency	Student Loan Trust
Housing Incentive Fund	Workforce Safety and Insurance
Job Service North Dakota	All Discretely Presented Component Units

The financial statements of the above entities reflect total assets, net position or fund balance, and revenues of the government-wide financial statements and fund financial statements as follows:

	<u>Percent of Assets</u>	<u>Percent of Net Position or Fund Balance</u>	<u>Percent of Revenues</u>
<b><u>Government-Wide Financial Statements</u></b>			
Governmental Activities	27%	28%	16%
Business-Type Activities	83%	54%	51%
Aggregate Discretely Presented Component Units	100%	100%	100%
<b><u>Fund Financial Statements</u></b>			
Major Governmental Funds			
General Fund	0%	0%	0%
Federal Fund	1%	1%	2%
State Special Revenue Fund	61%	63%	43%
Major Enterprise Funds			
Bank of North Dakota	100%	100%	100%
Housing Finance Agency	100%	100%	100%
University System	0%	0%	0%
Workforce Safety and Insurance	100%	100%	100%
Aggregate Remaining Fund Statements	94%	96%	78%

The financial statements for these entities were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for these entities, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the North Dakota University System's discretely presented component units were not audited in accordance with *Government Auditing Standards*.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of North Dakota, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Notes 2 and 20 to the financial statements, the State of North Dakota adopted the provisions of GASB 68 *Accounting and Financial Reporting for Pensions*, and GASB 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*. As a result of these required changes in accounting principle, the State of North Dakota recorded reductions in beginning net position of \$271 million for governmental activities, \$95 million for business-type activities, and \$136 thousand for discrete component units. The amounts reported for ending position reflect the newly required net pension assets, deferred outflows of resources, net pension liabilities, and deferred inflows of resources related to the State of North Dakota's participation in defined benefit retirement systems. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, the 2014 financial statements have been restated to correct misstatements. Our opinion is not modified with respect to this matter.

As discussed in Note 17 to the basic financial statements, the Bank of North Dakota elected to present an unclassified statement of net position because current assets are not matched with current liabilities. Presentation of a classified statement of net position would give the false impression that there is a liquidity problem at the bank. Presentation of a classified statement of net position for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the following be presented to supplement the basic financial statements:

- Management's Discussion and Analysis (pages 20-30);
- Budgetary Comparison Schedules and related reconciliations and notes (pages 140-146), and;
- Information about the State of North Dakota's pension plans (pages 147-158).

Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or

historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

#### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of North Dakota's basic financial statements. The combining and individual fund financial statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements listed in the table of contents is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and schedules listed in the table of contents are fairly stated, in all material respects, in relation to the financial statements as a whole.

The introductory and statistical sections (pages 5-14 and 188-216, respectively) have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2015 on our consideration of the State of North Dakota's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of North Dakota's internal control over financial reporting and compliance.



Robert R. Peterson  
State Auditor

Bismarck, North Dakota

December 16, 2015



Edwin J. Nagel, Jr., CPA  
Director

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the State of North Dakota's (the State's) Comprehensive Annual Financial Report presents a discussion and analysis of the State's financial performance, providing an overview of the activities for the fiscal year ended June 30, 2015. Please read it in conjunction with the transmittal letter at the front of this report and with the State's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

#### **Government-wide:**

Total assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources at fiscal year-end by \$19.6 billion (reported as net position), an increase of \$2.1 billion from the previous year. The net position of governmental activities increased by 12.3% while the net position of the business-type activities showed an increase of 11.2%.

As a result of implementing GASB Statement 68, *Accounting and Financial Reporting for Pensions*, the State recorded \$32.7 million net pension asset, \$57 million deferred outflows of resources, \$365 million net pension liability, and \$81 million deferred inflows of resources for the primary government.

#### **Fund Level:**

As of the close of fiscal year 2015 the State's governmental funds reported combined ending fund balances of \$13.3 billion, an increase of \$1.2 billion. Of this amount, \$3.6 billion is non-spendable, primarily for legal requirements. Spendable fund balance consists of \$6 billion restricted for specific purposes such as transportation, and \$2.6 billion committed, with the unassigned fund balance making up the remaining amount of \$1.1 billion. At the end of the fiscal year, unassigned fund balance for the General Fund was \$1.1 billion.

The enterprise funds reported net position at year-end of \$2.9 billion, an increase of \$298 million during the year.

#### **Long-term Debt:**

The State's total debt (bonds and notes payable) increased approximately 8% during the fiscal year to \$1.68 billion, an increase of \$129 million, which represents the net difference between new issuances and payments. During the year the State issued \$158 million in bonds and \$603 million in notes.

More detailed information regarding these activities and funds is included in Note 3L.

## OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is an introduction to the State's basic financial statements, which consists of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

#### **Government-wide Statements**

The government-wide financial statements provide a broad view of the State's operations in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at the end of the fiscal year. These statements include all non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources using the accrual basis of accounting. The current year's revenues and expenses are taken into account regardless of when cash is received or paid.

The Statement of Net Position presents all of the State's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the two reported as "net position". Over

time, increases and decreases in net position is an indicator of whether the State's financial position is improving or deteriorating.

The Statement of Activities presents information showing how the State's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both statements report three activities:

*Governmental Activities* – The activities in this section are primarily supported by taxes and intergovernmental revenue. Most of the State's basic services, such as education, health and human services and transportation, are reported under this category.

*Business-type Activities* – These functions are intended to recover all or a significant portion of their costs through user fees and charges to external users of goods and services. The Bank of North Dakota, Housing Finance Agency and the University System are examples of the State's business-type activities.

*Discretely Presented Component Units* – These are operations for which the State has financial accountability but they have certain independent qualities as well. These entities operate similar to private-sector business and the business-type activities described above. The State has 4 discretely presented component units. Financial information for these entities is presented separately from the financial information presented for the primary government.

The government-wide financial statements can be found immediately following this discussion and analysis.

### **Fund Financial Statements**

A fund is a fiscal and accounting entity with a self-balancing set of accounts that the State uses to keep track of specific sources of funding and spending for a particular purpose. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The basic fund financial statements begin immediately after the government-wide statements and provide more detail about the major individual funds. The State's funds are divided into three categories – governmental, proprietary, and fiduciary. It is important to note that these fund categories use different accounting approaches and should be interpreted differently.

*Governmental funds* - Most of the State's basic services are reported in the governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on the near-term inflows and outflows of spendable resources. They also focus on the balances left at year-end that are available for future spending. Such information may be useful in evaluating whether there are more or fewer financial resources that can be spent in the near future to finance the State's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between

governmental funds and the governmental activities. These reconciliations are presented on the page immediately following each governmental fund financial statement.

Governmental funds include the General Fund, special revenue, capital project, debt service, and permanent funds. The State has several governmental funds, of which three (3) are considered major individual funds. These three are the General Fund, the Federal Fund, and the State Special Revenue Fund. Each of these major funds is presented in a separate column in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance. The remaining governmental funds are combined in a single aggregated column on the basic fund statements. Individual fund data for each of these non-major governmental funds can be found in the other supplementary information section of this report.

*Proprietary funds* – Services for which the State charges customers a fee are generally reported in proprietary funds. The state maintains two different types of proprietary funds, enterprise funds and internal service funds. Enterprise funds report activities that provide supplies and services to the general public. Internal service funds report activities that provide supplies and services for the State's other programs and activities. Like the government-wide statements, proprietary funds use the accrual basis of accounting. Although the basis of accounting is the same for the government-wide and proprietary fund statements, reconciliation between these statements is presented because of the allocation of internal service funds' net income.

The State has four (4) major enterprise funds: The Bank of North Dakota, Housing Finance, University System, and Workforce Safety and Insurance. These four funds are each presented in separate columns on the basic proprietary fund financial statements. The remaining enterprise funds are combined in a single total column on these statements. Individual fund data for each of the non-major enterprise funds can be found in the other supplementary information section of this report.

The State's internal service funds are reported as governmental activities on the government-wide statements, because the services they provide predominantly benefit governmental activities. The State's four (4) internal service funds are reported on the basic proprietary fund financial statements in a single combined column. Individual fund data for the internal service funds is provided in the form of combining statements found elsewhere in this report.

*Fiduciary funds* - The State acts as a trustee, or fiduciary, for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The State's fiduciary activities are reported in separate Statements of Fiduciary Net Position and Changes in Fiduciary Net Position. These funds, which include pension (and other employee benefit) trust, investment trust, private-purpose trust, and agency funds, are reported using accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because the State cannot use these assets to finance its operations.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following component units' financial statements.

### **Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes reconciliation between the statutory fund balances for budgetary purposes and the fund balances for the General Fund, the State Special Revenue Fund and the Federal Fund as presented in the governmental fund financial statements. In addition, the required supplementary information includes up to ten years of information on the State's pension plans, including schedules on the employer proportionate share of the net pension liability, changes in the net pension liability, and employer contributions.

## Other Supplementary Information

Other supplementary information includes combining financial statements for non-major governmental, non-major enterprise, internal service, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements.

## FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

As noted previously, net position may serve over time as a useful indicator of a government's financial position. The State's combined net position (governmental and business-type activities) totaled \$19.6 billion at the end of fiscal year 2015. Net position increased 12.2% from the prior fiscal year.

### State of North Dakota's Net Position (Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014*	2015	2014*	2015	2014*	2015
Current and Other Assets	\$13,122,425	\$14,402,938	\$9,923,413	\$10,335,283	\$23,045,838	\$20,590,423
Capital Assets	2,622,367	3,715,887	1,132,736	1,321,495	3,755,103	5,037,382
Total Assets	<u>15,744,792</u>	<u>18,118,825</u>	<u>11,056,149</u>	<u>11,656,778</u>	<u>26,800,941</u>	<u>25,627,805</u>
Deferred Outflows of Resources	-	41,803	12,715	32,194	12,715	73,997
Long-Term Liabilities						
Outstanding	225,992	190,154	2,602,155	2,789,412	2,828,147	2,979,565
Other Liabilities	930,133	1,218,230	5,734,314	5,931,527	6,664,447	3,001,959
Total Liabilities	<u>1,156,125</u>	<u>1,408,384</u>	<u>8,336,469</u>	<u>8,720,939</u>	<u>9,492,594</u>	<u>5,981,524</u>
Deferred Inflows of Resources	-	62,302	415	19,778	415	82,080
Net Position						
Invested in Capital Assets,						
Net of Related Debt	2,502,235	3,622,722	844,395	1,023,385	3,346,630	4,646,107
Restricted	4,966,178	6,254,674	600,270	485,012	5,566,448	6,739,686
Unrestricted	7,120,254	6,812,546	1,287,315	1,439,859	8,407,569	8,252,405
Total Net Position	<u>\$14,588,667</u>	<u>16,689,942</u>	<u>\$2,731,980</u>	<u>2,948,256</u>	<u>\$17,320,647</u>	<u>19,638,198</u>

\*The 2014 amounts presented here have not been restated for the implementation of GASB Statement 68 for pensions or other adjustments. Complete information necessary to fully restate the 2014 amounts was not available. See Note 2.

The largest component (42%) of the State's net position is unrestricted net position. Unrestricted net position may be used at the State's discretion, but often have limitations on use based on State statutes. Restricted net position make up thirty-four percent (34%) of the state's net position. Restricted net position represents resources that are subject to external restrictions, constitutional provisions, or enabling legislation on how they can be used.

Twenty-four percent (24%) of the State's net position reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (roads, bridges and other immovable assets) less any related debt outstanding that was needed to acquire or construct the assets. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The condensed financial information on the following page was derived from the government-wide Statement of Activities and reflects how the State's net position changed during the fiscal year:

**State of North Dakota's Changes in Net Position**  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014*	2015	2014*	2015	2014*	2015
<b>Revenues:</b>						
Program Revenues:						
Charges for Services	\$344,338	\$361,967	\$1,462,622	\$1,786,539	\$1,806,960	\$2,148,506
Operating Grants & Contributions	2,083,790	1,888,798	439,951	312,136	2,523,741	2,200,934
Capital Grants & Contributions	11,046	1,388	18,704	36,923	29,750	38,311
General Revenues:						
Income Taxes	700,868	732,975	-	-	700,868	732,975
Sales Taxes	1,756,778	1,804,380	-	-	1,756,778	1,804,380
Other Taxes	3,418,372	2,827,444	-	-	3,418,372	2,827,444
Investment Earnings	130,011	117,643	-	-	130,011	117,643
Tobacco Settlement	23,653	21,790	-	-	23,653	21,790
Other	198,533	161,725	2,214	9,562	200,747	171,287
<b>Total Revenues</b>	<b>8,667,389</b>	<b>7,918,110</b>	<b>1,923,491</b>	<b>2,145,160</b>	<b>10,590,880</b>	<b>10,063,270</b>
<b>Expenses</b>						
General Government	1,283,916	1,171,208	-	-	1,283,916	1,171,208
Education	1,075,062	1,415,255	-	-	1,075,062	1,415,255
Health and Human Services	1,433,599	1,706,333	-	-	1,433,599	1,706,333
Regulatory	54,728	66,744	-	-	54,728	66,744
Public Safety and Corrections	243,149	249,291	-	-	243,149	249,291
Agriculture and Commerce	96,055	106,455	-	-	96,055	106,455
Natural Resources	119,396	236,079	-	-	119,396	236,079
Transportation	1,066,104	603,813	-	-	1,066,104	603,813
Interest on Long Term Debt	7,602	7,155	-	-	7,602	7,155
Bank of North Dakota	-	-	76,367	71,053	76,367	71,053
Housing Finance	-	-	40,902	37,511	40,902	37,511
Loan Programs	-	-	12,759	11,366	12,759	11,366
State Lottery	-	-	19,264	20,360	19,264	20,360
Unemployment Compensation	-	-	113,989	144,921	113,989	144,921
University System	-	-	1,129,869	1,170,159	1,129,869	1,170,159
Workforce Safety and Insurance	-	-	418,501	377,926	418,501	377,926
Other	-	-	269,600	549,799	269,600	549,799
<b>Total Expenses</b>	<b>5,379,611</b>	<b>5,562,333</b>	<b>2,081,251</b>	<b>2,383,095</b>	<b>7,460,862</b>	<b>7,945,428</b>
Increase (decrease) in Net Position Before Contributions & Transfers	3,287,777	2,355,777	(157,761)	(237,935)	3,130,016	2,117,842
Contributions to Permanent Fund Principal Transfers	14,251	16,382	-	-	14,251	16,382
	(424,008)	(542,713)	455,888	535,980	31,880	(6,733)
Increase in Net Position	2,878,020	1,829,446	298,127	298,045	3,176,147	2,127,491
Net Position - Beginning -As Restated	11,710,647	14,860,495	2,433,853	2,650,211	14,144,500	17,510,706
Net Position- Ending	<b>\$14,588,667</b>	<b>\$16,689,941</b>	<b>\$2,731,980</b>	<b>\$2,948,256</b>	<b>\$17,320,647</b>	<b>\$19,638,197</b>

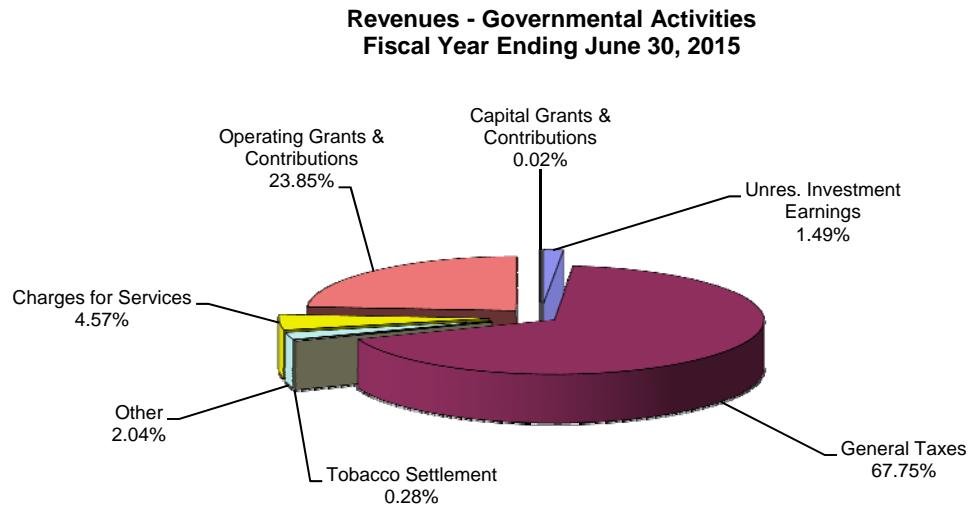
\*The 2014 amounts presented here have not been restated for the implementation of GASB Statement 68 for pensions or other adjustments. Complete information necessary to fully restate the 2014 amounts was not available. See Note 2.

## Governmental Activities

Governmental Activities increased the State's net position by \$1.8 billion. Revenues decreased 8.6%, with the largest dollar decrease in the State's revenues for fiscal year 2015 coming from oil, gas, and coal taxes, a decrease of \$602 million. This decrease is due to the decreased level of oil and gas production in the state and relatively low oil prices.

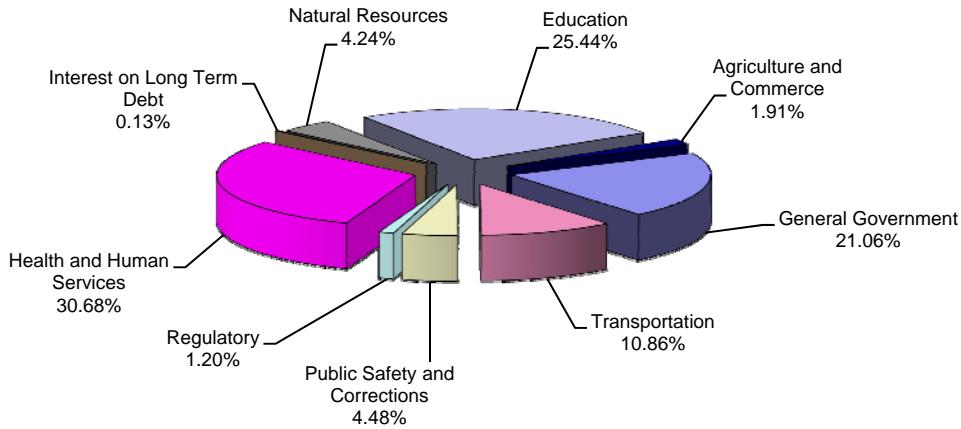
Expenses for governmental activities remained relatively consistent with only an increase of 3%.

The following chart depicts revenues of the governmental activities for the fiscal year:



The chart on the following page depicts expenses of the governmental activities for the fiscal year:

**Expenditures - Governmental Activities**  
**Fiscal Year Ending June 30, 2015**



### **Business-type Activities**

Net position of the business-type activities increased by \$298 million during the fiscal year.

Workforce Safety and Insurance's (WSI) net position increased \$22.1 million. Policyholder count continues to increase but at a slower pace than 2014. In fiscal year 2015, an additional 131 policyholders came on board for a total of 25,520. In fiscal years 2014 and 2013, there were 596 and 981 new policyholders. Written premium for fiscal year 2015 totaled 372.6 million, surpassing fiscal year 2014's total of \$350.2 million. WSI would expect to see a reduction of reported payroll, and the related premium in fiscal year 2016 if the decline continues. WSI's investment portfolio yielded a year to date return of 3.27% (net of fees), a gain of \$60.2 million. Incurred losses were \$248 million in fiscal year 2015. If the decline in oil activity continues, it is likely WSI will see a decrease in incurred cost going forward.

The Bank of North Dakota net position increased \$102.6 million. Net position increased because of an increase in assets attributable to increased loan demand. Operating income increased due to an increase in net interest income and a net increase in the fair value of securities. Also a decrease in expenses attributed to the increase in net position. This decrease was due to a decrease in prepayments of long-term debt as well as other operating expenses in prior year contained a one-time payment to the North Dakota Investment Board.

The University System's net position increased \$163.3 million. Net position increased due to a slight increase in tuition and fee revenues (2%) and state appropriations, excluding capital assets, increased five percent. In addition, state appropriations-capital assets increased 162 percent from fiscal year 2014.

Housing Finance net position increase of \$10.5 million was similar to the prior year's net position change as revenues and expenses remained fairly consistent.

## **FINANCIAL ANALYSIS OF THE STATE'S FUNDS**

### **Governmental Funds**

As the State completed the year, its governmental funds reported combined fund balances of \$13.3 billion, an increase of \$1.2 billion from the prior fiscal year. Of the \$13.3 billion in net position, \$3.6 billion is non-spendable, \$6 billion is restricted, \$2.6 billion is committed, and \$1.1 billion is unassigned. These fund balance categories are a result of GASB Statement 54. Note 1U provides definitions for these categories. The following analysis of funds provides the explanation for the overall change in net position for governmental funds.

The General Fund is the chief operating fund of the State. At the end of current fiscal year, unassigned fund balance of the General Fund was \$1.1 billion, non-spendable was \$3.5 billion and \$1.3 billion was committed for expenditure by various governmental functions.

Total General fund balance increased during the fiscal year by \$625 million. Revenues decreased approximately 15%, due primarily to decreases in oil, gas, and coal taxes of approximately \$604 million. Explanation for this decrease was explained with the increase in net position for governmental activities.

General fund expenditures decreased by 16.5%. Transportation expenditures decreased because of a decrease in spending for oil impacted projects as previously discussed.

The State Special Revenue ending fund balance grew by \$580 million resulting in \$7.3 billion fund balance. Revenues decreased 13% and expenditures increased 49%. Revenues decreased in the state special revenue fund primarily due to a decrease in interest and investment income revenues as capital markets produced lower gains during fiscal year 2015. General Government expenditures saw the highest increase in expenses due to an increase in tax distributions to the counties.

The June 30 Federal Fund balance of \$12.5 million consists of non-spendable items such as prepaids and inventory and unavailable revenue for those revenues to be received later than the time period used for revenue recognition.

### **Proprietary Funds**

The State's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. The increases in the net position of the proprietary funds are discussed under "Business-type Activities" above.

#### **General Fund Budgetary Highlights:**

The State has a biennial appropriated budget. The fiscal year ending June 30, 2015, was the second year of the 2013-15 budget cycle. The original budget decreased \$47.5 million.

At the beginning of the 2013-15 budget cycle, there was an increase in the original budget of \$63.7 million due to the authorized carryover of general fund appropriation authority from the 2011-13 biennium, and a \$19.7 million increase for capital construction carryover. There was also a decrease to the original budget of \$163.8 million in the 13-15 budget cycle due to emergency clause expenditures given in the 13-15 biennium that was used in the 11-13 biennium.

The increases to the beginning appropriated budget are from authorized carryover of general fund appropriation authority and the larger ones are noted below.

Several state agencies were authorized by appropriation laws to carryover a portion or all of their general fund appropriation for various purposes, including the Department of Trust Lands, \$26.2 million, the University System, \$10.7 million, the Historical Society, \$5.7 million, Legislative Council, \$4.3 million, the Adjutant General, \$3.3 million and the Office of Management & Budget, \$3.1 million.

Of the \$19.7 million in capital construction carryover dollars, \$8.5 million was for the Department of Human Services; \$3.7 million was for the Information Technology Department; \$3.3 million was for the Department of Transportation; \$2.8 million was for the Office of Management and Budget and various smaller amounts for several other state agencies.

Of the \$163.8 million in decreases, \$100.4 million was for the Treasurer's Office and \$60.9 million was for the Department of Transportation. These amounts were appropriated as emergency appropriations in the 13-15 biennium and was used in the 11-13 biennium and therefore was decreased out of the agencies 13-15 biennium general fund budget. The Treasurer's Office emergency appropriation was for the purpose of providing transportation funding distributions. The Department of Transportation received emergency appropriation to match a federal grant for railroad improvements.

An additional general fund budget appropriation of \$5 million was appropriated to the department of public instruction for the purpose of awarding a grant to a state agency or nonprofit organization to contrast a children's science center in the city where the state capitol is located for providing informal science education to children and others. Also \$6 million was appropriated to Dickinson State University for the purpose of awarding a grant to the Theodore Roosevelt center for the construction of a Theodore Roosevelt presidential library.

There were no expenditures in excess of general fund authority.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

**Capital Assets:** At the end of the fiscal year 2015, the State had invested \$4.6 billion, net of accumulated depreciation, in a broad range of capital assets. Depreciation charges for this fiscal year totaled \$177 million.

(Net of Depreciation, Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014 Restated	2015	2014	2015	2014 Restated	2015
Land and Land Improvements	\$132,263	\$138,132	\$19,169	\$20,445	\$151,432	\$158,577
Building & Building Improvements	365,203	403,833	732,665	771,275	1,097,868	1,175,108
Equipment	146,429	161,759	174,753	173,225	321,182	334,984
Intangibles						
Software	33,155	33,020	12,401	10,667	45,556	43,687
Other	8,417	8,641	684	541	9,101	9,182
Infrastructure	1,138,286	1,338,821	103,744	115,579	1,242,030	1,454,400
Construction in Progress	1,336,417	1,631,681	89,321	229,763	1,425,738	1,861,444
<b>Total</b>	<b>\$3,160,170</b>	<b>\$3,715,887</b>	<b>\$1,132,737</b>	<b>\$1,321,495</b>	<b>\$4,292,907</b>	<b>\$5,037,382</b>

The total increase in the State's investments in capital assets for the current fiscal year was 17% in terms of net book value. However, actual expenditures to purchase or construct capital assets were approximately \$1.9 billion for the year. A major portion of this amount was used to construct or reconstruct assets at the University Systems and for highway construction. More detailed information on the State's capital assets can be found in Note 3H to the financial statements.

**Long-term Debt:** Article X, Section 13 of the Constitution of North Dakota provides that the state may issue or guarantee the payment of bonds provided that all bonds in excess of \$2 million are: secured by first mortgage upon property and no further indebtedness may be incurred by the state unless evidenced by a bond issue; authorized by law, for a certain purpose; provisioned to pay the interest semiannually, and pay the principal within 30 years. The law authorized the bond issue must specifically appropriate the

provisions to the payment of the principal and interest of the bond. The State has no general obligation bonds outstanding at June 30, 2015.

The State does have a number of revenue bonds outstanding at June 30, 2015. Current state statutes empower certain state agencies and the Building Authority, a component unit of the State, to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on revenue bonds issued by state agencies is payable from designated revenue sources. The Building Authority's bonds generate revenue to finance the construction and improvements of State buildings. Revenues derived from leases on the buildings fund the debt service requirements.

The Bank of North Dakota has advances from the Federal Home Loan Bank in the amounts of \$645 million. The advances have a fixed rate of interest, ranging from 1.12 percent to 5.56 percent.

More detailed information regarding the State's long-term obligations is presented in Note 3L to the financial statements.

**State of North Dakota's Outstanding Debt**  
(Expressed in Thousands)

	Governmental Activities		Business-Type Activities		Total Primary Government	
	2014	2015	2014	2015	2014	2015
Revenue Bonds	\$163,030	\$129,345	\$901,528	\$884,086	\$1,064,558	\$1,013,431
Notes Payable	4,980	4,412	484,764	665,792	489,744	670,204
Total	<u>\$168,010</u>	<u>\$133,757</u>	<u>\$1,386,292</u>	<u>\$1,549,878</u>	<u>\$1,554,302</u>	<u>\$1,683,635</u>

The State's total debt increased approximately 8% during the current fiscal year.

## **ECONOMIC CONDITION AND OUTLOOK**

Moody's Analytics recently completed an analysis of the North Dakota economy for its *Précis U.S. State* October 2015 publication. The report depicts an economy that is beginning to show the strains of low oil prices in 2015. North Dakota's state gross domestic product (GDP), the value of goods and services produced in the state, increased by nearly 41 percent from 2010 through 2014. In sharp contrast, GDP nationally has grown by only around 8 percent during that time.

The state's unemployment rate, only 2.0 percent in October 2015, is less than half the U.S. rate of 4.8 percent and remains the lowest in the nation. The state's unemployment rate is expected to remain well below the national rate, remaining under 3 percent through 2020; the national rate is expected to remain close to 5 percent through 2020. Moody's predicts that many oil patch workers will elect to stay in the state and relocate from the oil patch to metro areas where jobs are available.

The high level of economic activity, combined with the extremely low unemployment rate, has led to growth in the state's population. As the number of jobs has increased, so has the labor force as potential workers migrate from states with much weaker labor markets. From 2010 through 2014, employment in North Dakota grew by over 22 percent; nationally, employment increased by less than 7 percent during that time. In 2015, the growth in employment in North Dakota is expected to be less than 1 percent; nationally employment will increase by 2 percent.

Median household income and per capita income for North Dakota have both surpassed the national average. For 2014, median household income in North Dakota was \$60,730 compared to \$53,657 for the U.S. Per capita income for 2014 was \$55,802 for North Dakota, while \$46,049 for the U.S.

## **CONTACTING THE STATE'S OFFICE OF FINANCIAL MANAGEMENT**

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the State's finances and to demonstrate the State's accountability for the money it receives. Questions about this report or additional financial information should be addressed to the State of North Dakota, Office of Management and Budget, 600 E. Boulevard, Dept. 110, Bismarck, ND 58505.

# Basic Financial Statements

# STATE OF NORTH DAKOTA

## Statement of Net Position

June 30, 2015

	Primary Government			Component Units (GASB Based)
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 39,090,697	\$ 580,774,247	\$ 619,864,944	\$ 25,794,747
Investments	7,587,833,791	4,734,069,157	12,321,902,948	391,528
Accounts Receivable - Net	103,429,353	150,705,047	254,134,400	1,360,220
Taxes Receivable - Net	546,280,316	-	546,280,316	-
Interest Receivable - Net	24,417,076	53,101,681	77,518,757	38,520
Intergovernmental Receivable - Net	206,442,215	35,808,117	242,250,332	-
Internal Receivable	5,485,545,989	-	1,337,747,615	-
Due from Component Units	-	11,864,216	11,864,216	-
Due from Primary Government	-	-	-	552,000
Prepaid Items	10,882,654	3,597,424	14,480,078	-
Inventory	22,890,927	39,144,164	62,035,091	-
Loans and Notes Receivable - Net	325,518,061	3,871,581,121	4,197,099,182	8,245,607
Pension Assets	32,650,195	-	32,650,195	-
Other Assets	-	17,742,633	17,742,633	332,186
Restricted Assets:				
Cash and Cash Equivalents	17,956,292	130,235,206	148,191,498	36,001,000
Investments	-	41,623,403	41,623,403	697,973,000
Interest Receivable - Net	-	2,482,000	2,482,000	4,342,000
Loans and Notes Receivable - Net	-	662,555,000	662,555,000	-
Capital Assets:				
Nondepreciable	1,769,813,439	250,208,317	2,020,021,756	-
Depreciable, Net	1,946,073,585	1,071,286,400	3,017,359,985	26,696
Total Assets	<u>18,118,824,590</u>	<u>11,656,778,133</u>	<u>25,627,804,349</u>	<u>775,057,504</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Loss on Bond Refunding	1,599,000	2,000,923	3,599,923	4,769,000
Decrease in Fair Value of Derivatives	-	13,428,000	13,428,000	-
Derived from Pensions	40,204,172	16,765,574	56,969,746	14,000
Total Deferred Outflows of Resources	<u>41,803,172</u>	<u>32,194,497</u>	<u>73,997,669</u>	<u>4,783,000</u>

\* An internal receivable balance remains in the Total column because certain Business-Type Activities have different fiscal year ends than the Governmental Activities. As internal balances are reported separately as internal receivables and internal payables, those lines, as well as the total assets and total liabilities, do not crossfoot.

# STATE OF NORTH DAKOTA

## Statement of Net Position

June 30, 2015

	Primary Government			Component Units (GASB Based)
	Governmental Activities	Business-Type Activities	Total	
<b>LIABILITIES</b>				
Accounts Payable	330,748,206	57,682,473	388,430,679	1,519,887
Accrued Payroll	54,738,835	37,485,969	92,224,804	11,982
Securities Lending Collateral	184,257,529	1,318,673	185,576,202	-
Interest Payable	1,895,265	10,706,623	12,601,888	2,250,000
Intergovernmental Payable	193,241,494	8,494,672	201,736,166	-
Tax Refunds Payable	148,491,913	-	148,491,913	-
Internal Payable	-	4,147,798,374	-	-
Due to Component Units	-	48,919,138	48,919,138	-
Contracts Payable	26,286,236	14,560,712	40,846,948	-
Federal Funds Purchased	-	178,455,000	178,455,000	-
Other Deposits	-	1,096,707,457	1,096,707,457	-
Amounts Held In Custody for Others	-	16,725,160	16,725,160	-
Unearned Revenue	5,637,065	182,393,138	188,030,203	170,026
Financial Derivative Instrument	-	8,984,000	8,984,000	-
Net Pension Liability	272,933,806	92,052,425	364,986,231	112,000
Other Liabilities	-	29,243,022	29,243,022	143,334
Long-Term Liabilities				
Due within one year	22,974,503	374,011,750	396,986,253	17,860,641
Due in more than one year	167,179,343	2,415,399,795	2,582,579,138	279,118,000
Total Liabilities	<u>1,408,384,195</u>	<u>8,720,938,381</u>	<u>5,981,524,202</u>	<u>301,185,870</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Grant Received Prior to Time Requirements	-	84,598	84,598	-
Increase in Fair Value of Hedging Derivatives	-	1,411,163	1,411,163	-
Derived from Pensions	62,302,337	18,282,217	80,584,554	27,000
Total Deferred Inflows of Resources	<u>62,302,337</u>	<u>19,777,978</u>	<u>82,080,315</u>	<u>27,000</u>
<b>NET POSITION</b>				
Net Investment in Capital Assets	3,622,722,021	1,023,384,933	4,646,106,954	26,696
Restricted for:				
General Government	26,775,599	-	26,775,599	-
Education	4,268,053,086	-	4,268,053,086	-
Health and Human Services	19,276,003	-	19,276,003	-
Regulatory Purposes	58,261,353	-	58,261,353	-
Public Safety & Corrections	1,458,991	-	1,458,991	-
Agriculture and Commerce	42,164,684	-	42,164,684	-
Cultural and Natural Resources	676,937,550	-	676,937,550	-
Transportation	1,033,317,526	-	1,033,317,526	-
Capital Projects	2,141,000	44,930	2,185,930	2,186,533
Debt Service	14,164,548	158,498,199	172,662,747	120,463,000
Loan Purposes	-	46,124,470	46,124,470	322,531,000
Pledged Assets	-	48,235,000	48,235,000	-
Unemployment Compensation	-	176,760,217	176,760,217	-
Pension Benefits	32,650,195	-	32,650,195	-
Permanent Fund and University System - Nonexp	67,050,990	15,249,356	82,300,346	80,000
University System - Expendable	-	35,406,851	35,406,851	-
Other	12,422,007	4,693,083	17,115,090	-
Unrestricted	<u>6,812,545,677</u>	<u>1,439,859,232</u>	<u>8,252,404,909</u>	<u>33,340,405</u>
Total Net Position	<u>\$ 16,689,941,230</u>	<u>\$ 2,948,256,271</u>	<u>\$ 19,638,197,501</u>	<u>\$ 478,627,634</u>

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## Statement of Activities For the Fiscal Year Ended June 30, 2015

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Primary Government:</b>				
Governmental Activities:				
General Government	\$ 1,171,207,640	\$ 37,107,914	\$ 14,816,984	\$ -
Education	1,415,255,393	6,806,001	402,340,363	-
Health and Human Services	1,706,333,172	64,507,593	1,040,437,071	315,747
Regulatory	66,743,817	25,862,700	5,305,855	-
Public Safety and Corrections	249,290,966	30,428,332	81,591,890	-
Agriculture and Commerce	106,455,113	31,198,196	29,682,886	-
Natural Resources	236,079,321	33,895,342	20,678,359	-
Transportation	603,812,692	132,160,558	293,944,460	1,072,286
Interest on Long Term Debt	7,154,580	-	-	-
Total Governmental Activities	<u>5,562,332,694</u>	<u>361,966,636</u>	<u>1,888,797,868</u>	<u>1,388,033</u>
Business-Type Activities:				
Bank of North Dakota	71,053,171	175,117,000	15,908,000	-
Housing Finance	37,510,475	34,386,013	11,718,000	-
Loan Programs	11,366,158	10,365,115	226,671	-
State Lottery	20,359,788	27,212,010	2,371	-
Unemployment Compensation	144,920,974	127,328,232	4,213,870	-
University System	1,170,159,474	517,570,660	217,787,903	36,923,275
Workforce Safety & Insurance	377,926,363	339,806,696	60,172,170	-
Other	549,799,020	554,752,747	2,107,246	-
Total Business-Type Activities	<u>2,383,095,423</u>	<u>1,786,538,473</u>	<u>312,136,231</u>	<u>36,923,275</u>
Total Primary Government	<u>\$ 7,945,428,117</u>	<u>\$ 2,148,505,109</u>	<u>\$ 2,200,934,099</u>	<u>\$ 38,311,308</u>
<b>Component Units (GASB Based):</b>	<u>\$ 28,987,344</u>	<u>\$ 14,977,904</u>	<u>\$ 36,947,712</u>	<u>\$ -</u>

### General Revenues:

#### Taxes:

- Individual and Corporate Income Taxes
- Sales and Use Taxes
- Oil, Gas and Coal Taxes
- Business and Other Taxes
- Unrestricted Investment Earnings
- Tobacco Settlement
- Miscellaneous
- Payment from State of North Dakota
- Contributions to Perm Fund Principal
- Special Item - Loss on Discontinuance of Computer Project Transfers
- Total General Revenues and Transfers
- Change in Net Assets
- Net Position, Beginning of Year, as Restated
- Net Position, Ending

Net (Expense) Revenue and Change in Net Position			
Primary Government		Component Units	
Governmental Activities	Business-Type Activities	Total	(GASB Based)
\$ (1,119,282,742)		\$ (1,119,282,742)	
(1,006,109,029)		(1,006,109,029)	
(601,072,761)		(601,072,761)	
(35,575,262)		(35,575,262)	
(137,270,744)		(137,270,744)	
(45,574,031)		(45,574,031)	
(181,505,620)		(181,505,620)	
(176,635,388)		(176,635,388)	
(7,154,580)		(7,154,580)	
<u>(3,310,180,157)</u>		<u>(3,310,180,157)</u>	
	119,971,829	119,971,829	
	8,593,538	8,593,538	
	(774,372)	(774,372)	
	6,854,593	6,854,593	
	(13,378,872)	(13,378,872)	
	(397,877,636)	(397,877,636)	
	22,052,503	22,052,503	
	7,060,973	7,060,973	
	<u>-</u>	<u>(247,497,444)</u>	<u>(247,497,444)</u>
	<u>(3,310,180,157)</u>	<u>(247,497,444)</u>	<u>(3,557,677,601)</u>
			\$ 22,938,272

732,975,064	-	732,975,064	-
1,804,380,378	-	1,804,380,378	-
2,734,507,198	-	2,734,507,198	-
92,936,834	-	92,936,834	-
117,643,232	-	117,643,232	-
21,789,723	-	21,789,723	-
161,725,312	9,562,071	171,287,383	-
-	-	-	-
16,382,336	-	16,382,336	-
-	-	-	-
(542,713,254)	535,979,992	(6,733,262)	-
<u>5,139,626,823</u>	<u>545,542,063</u>	<u>5,685,168,886</u>	<u>-</u>
1,829,446,666	298,044,619	2,127,491,285	22,938,272
14,860,494,564	2,650,211,652	17,510,706,216	455,689,362
<u>\$ 16,689,941,230</u>	<u>\$ 2,948,256,271</u>	<u>\$ 19,638,197,501</u>	<u>\$ 478,627,634</u>

# STATE OF NORTH DAKOTA

## Statement of Net Assets Component Units - University System Foundation FASB Basis June 30, 2015

	Major University System Foundation	Nonmajor University System Foundation
<b>ASSETS</b>		
Current Assets:		
Cash and Cash Equivalents	\$ 54,679,267	\$ 9,937,004
Receivable from Primary Institution - Current	3,238,564	84,514
Investments	17,932,565	10,473,856
Accounts Receivable - Net	3,416,852	51,805
Unconditional Promises to Give - Net	16,994,612	440,744
Inventory	907,641	
Other Assets - Current	9,909,681	505,062
Total Current Assets	<u>107,079,182</u>	<u>21,492,985</u>
Noncurrent Assets:		
Restricted Cash and Cash Equivalents	10,428,268	-
Investments:		
Investments, Net of Current Portion	341,890,854	28,197,974
Investments, Restricted	3,568,941	-
Investments, Temporarily Restricted	-	-
Investments, Permanently Restricted	-	-
Investments Held In Trust	33,820,509	65,999
Beneficial Interest In Trust	13,620,348	-
Charitable Gift Annuity Investments	4,592,718	-
Charitable Remainder Trust Account Investments	20,837,786	-
Endowment Investments	-	-
Real Estate and Equipment Held for Investment - Net	20,915,056	5,214,669
Other Long-Term Investments	7,710,458	1,193,933
Contracts for Deed & Notes Receivable, Net of Current Portion	1,027,011	-
Long-Term Pledges Receivable	49,630,232	800,138
Receivable from Primary Institution - Noncurrent	44,268,131	520,962
Notes Receivable - Net	6,631,373	300,525
Other Assets - Noncurrent	1,297,154	285,114
Capital Assets - Net	<u>143,209,991</u>	<u>12,853,585</u>
Total Noncurrent Assets	<u>703,448,830</u>	<u>49,432,899</u>
Total Assets	<u>810,528,012</u>	<u>70,925,884</u>
<b>LIABILITIES</b>		
Current Liabilities:		
Accounts Payable and Accrued Liabilities	1,316,945	178,114
Payable to University	14,075,175	1,074,731
Accrued Payroll	807,223	10,751
Gift Annuities & Life Income Agreements - Current	3,225,925	46,743
Unearned Revenue - Current	6,170,211	540,000
Other Liabilities - Current	600,699	2,334
Long-Term Liabilities - Current	5,423,622	415,050
Total Current Liabilities	<u>31,619,800</u>	<u>2,267,723</u>
Noncurrent Liabilities:		
Deposits	27,573,501	-
Gift Annuities & Life Income Agreements - Noncurrent	19,795,955	352,080
Obligations Under Split-Interest Agreement	6,048,817	-
Other Liabilities - Noncurrent	238,730	-
Long-Term Liabilities - Noncurrent	65,990,169	10,764,108
Total Noncurrent Liabilities	<u>119,647,172</u>	<u>11,116,188</u>
Total Liabilities	<u>151,266,972</u>	<u>13,383,911</u>
<b>Net Assets</b>		
Temporarily Restricted	116,560,569	16,423,297
Permanently Restricted	337,302,566	34,877,794
Net Investment in Property & Equipment	67,546,693	-
Unrestricted	137,851,212	6,240,882
Total Net Asset	<u>659,261,040</u>	<u>57,541,973</u>
Total Liabilities and Net Assets	<u>\$ 810,528,012</u>	<u>\$ 70,925,884</u>

# STATE OF NORTH DAKOTA

## Statement of Revenues, Expenses and Changes in Fund Net Assets

### Component Units - University System Foundation

#### FASB Basis

For the Fiscal Year Ended June 30, 2015

	<b>Major University System Foundation</b>	<b>Nonmajor University System Foundation</b>
<b>Support and Revenue</b>		
Gifts and Contributions	\$ 84,701,900	\$ 4,852,349
Investment Income	8,653,767	1,285,542
Net Realized and Unrealized Gains (Losses) on Investment Securities	2,260,680	(47,806)
Program and Event Income	48,279,485	6,832,734
Other Income	6,880,084	8,284,220
<b>Total Support and Revenue</b>	<b><u>150,775,916</u></b>	<b><u>21,207,039</u></b>
<b>EXPENSES</b>		
Program Services	\$ 47,842,236	\$ 6,013,285
Supporting Services	52,259,358	11,130,303
Fund Raising Expense	2,641,379	-
<b>Total Expenses</b>	<b><u>102,742,973</u></b>	<b><u>17,143,588</u></b>
Change in Split-Interest Agreement	\$ (3,389,211)	\$ -
Changes in Net Assets	\$ 44,643,732	\$ 4,063,451
<b>Total Net Assets - Beginning of Year , as restated</b>	<b><u>\$ 614,617,308</u></b>	<b><u>\$ 53,478,522</u></b>
<b>Total Net Assets - End of Year</b>	<b><u>\$ 659,261,040</u></b>	<b><u>\$ 57,541,973</u></b>

The Accompanying Notes are an Integral Part of the Financial Statements

# STATE OF NORTH DAKOTA

## Balance Sheet Governmental Funds June 30, 2015

	Special Revenue			Nonmajor Governmental Funds		Total
	General	Federal	State			
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 1,777,295,727	\$ -	\$ 2,964,397,077	\$ 2,621,636	\$ 4,744,314,440	
Cash and Cash Equivalents	29,738,782	-	27,228,236	45	56,967,063	
Investments at the Bank of ND	93,980,286	1,000,000	601,873,167	14,027,875	710,881,328	
Investments	3,779,006,214	-	3,772,863,167	23,463,812	7,575,333,193	
Accounts Receivable - Net	8,564,537	17,922,567	76,756,678	-	103,243,782	
Taxes Receivable - Net	419,202,922	-	126,827,103	250,291	546,280,316	
Interest Receivable - Net	13,520,812	-	10,713,646	134,134	24,368,592	
Intergovernmental Receivable - Net	-	198,339,237	7,230,521	-	205,569,758	
Due from Other Funds	119,580,324	15,178,740	67,907,863	5,000	202,671,927	
Prepaid Items	2,643,490	1,713,376	4,828,199	-	9,185,065	
Inventory	2,859,444	10,486,136	9,451,911	-	22,797,491	
Loans and Notes Receivable - Net	25,027,587	-	250,682,350	49,808,124	325,518,061	
<b>Total Assets</b>	<b>6,271,420,125</b>	<b>244,640,056</b>	<b>7,920,759,918</b>	<b>90,310,917</b>	<b>14,527,131,016</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Total Deferred Outflows of Resources	-	-	-	-	-	
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 6,271,420,125</b>	<b>\$ 244,640,056</b>	<b>\$ 7,920,759,918</b>	<b>\$ 90,310,917</b>	<b>\$ 14,527,131,016</b>	
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ 84,102,275	\$ 107,093,387	\$ 133,888,577	\$ 42,074	\$ 325,126,313	
Accrued Payroll	32,507,601	7,307,805	12,510,846	-	52,326,252	
Securities Lending Collateral	-	-	178,016,972	6,240,557	184,257,529	
Interest Payable	-	-	492,409	-	492,409	
Intergovernmental Payable	3,760,406	25,059,454	164,421,634	-	193,241,494	
Tax Refunds Payable	136,548,115	-	11,943,798	-	148,491,913	
Due to Other Funds	58,150,045	77,811,147	39,151,701	351,398	175,464,291	
Contracts Payable	676,759	5,881,084	19,728,393	-	26,286,236	
Unearned Revenues	-	5,502,703	60,002	-	5,562,705	
<b>Total Liabilities</b>	<b>315,745,201</b>	<b>228,655,580</b>	<b>560,214,332</b>	<b>6,634,029</b>	<b>1,111,249,142</b>	
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Unavailable Revenue	95,416,701	3,487,697	17,664,994	-	116,569,392	
<b>Total Deferred Inflows of Resources</b>	<b>95,416,701</b>	<b>3,487,697</b>	<b>17,664,994</b>	<b>-</b>	<b>116,569,392</b>	
Fund Balances:						
Nonspendable						
Inventory	2,803,312	10,486,136	9,508,043	-	22,797,491	
Long - Term Receivables	25,158,896	-	86,390,080	-	111,548,976	
Prepaid Expenditures	2,643,490	1,713,376	4,828,199	-	9,185,065	
Legal Requirements	3,435,327,785	-	-	-	3,435,327,785	
Permanent Trust Fund	-	-	-	67,050,990	67,050,990	
Restricted	-	297,267	6,020,505,583	16,305,548	6,037,108,398	
Committed	1,332,805,458	-	1,230,126,212	320,350	2,563,252,020	
Unassigned	1,061,519,282	-	(8,477,525)	-	1,053,041,757	
<b>Total Fund Balances</b>	<b>5,860,258,223</b>	<b>12,496,779</b>	<b>7,342,880,592</b>	<b>83,676,888</b>	<b>13,299,312,482</b>	
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 6,271,420,125</b>	<b>\$ 244,640,056</b>	<b>\$ 7,920,759,918</b>	<b>\$ 90,310,917</b>	<b>\$ 14,527,131,016</b>	

# STATE OF NORTH DAKOTA

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## Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position June 30, 2015

Total Fund Balances-Governmental Funds	\$ 13,299,312,482
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$6,731,832,119 and the accumulated depreciation is \$3,114,831,782	
	3,617,000,337
Other assets not available in the current period and therefore are not reported in the governmental funds:	
Net Pension Asset	32,650,195
Deferred outflows of resources are not reported in the governmental funds:	
Amount on refunding of bonded debt	1,599,000
Related to pensions	<u>38,274,669</u>
Total Deferred Outflows	39,873,669
Some of the state's revenues will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore are unavailable in the funds.	
	116,495,031
Internal service funds are used to charge the costs of certain activities to individual funds. The assets, deferred outflows of resources, liabilities, and deferred inflows of resources of the internal service funds are included in governmental activities in the statement of net position.	
	84,062,624
Deferred inflows of resources are not reported in the governmental funds:	
Related to pensions	(59,467,529)
Long-term liabilities and related accrued interest are not due and payable in the current period and therefore are not reported as liabilities in the funds. Those liabilities consist of:	
Bonds Payable	(129,344,793)
Notes Payable	(4,411,692)
Accrued Interest on Long-Term Liabilities	(1,393,520)
Compensated Absences	(43,628,890)
Capital Leases	(566,290)
Other Postemployment Benefit Obligation, net	(1,066,404)
Net Pension Liability	(258,416,606)
Claims and Judgments	(1,157,384)
Total Long-Term Liabilities	<u>(439,985,579)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ 16,689,941,230</u></b>

# STATE OF NORTH DAKOTA

## Statement of Revenues, Expenditures and Changes in Fund Balances Governmental Funds For the Fiscal Year Ended June 30, 2015

	Special Revenue			Nonmajor Governmental Funds		Total
	General	Federal	State			
<b>REVENUES</b>						
Individual and Corporate Income Taxes	\$ 712,659,258	\$ -	\$ 1,997,832	\$ -	\$ 714,657,090	
Sales and Use Taxes	1,424,335,795	-	366,310,920	-	1,790,646,715	
Oil, Gas, and Coal Taxes	960,443,586	-	1,770,922,298	3,241,152	2,734,607,036	
Business and Other Taxes	59,016,278	-	34,429,413	-	93,445,691	
Licenses, Permits and Fees	18,826,307	-	196,879,900	-	215,706,207	
Intergovernmental	1,062,546	1,596,314,838	24,929,464	4,303,914	1,626,610,762	
Sales and Services	3,178,279	1,639,419	76,837,582	333,700	81,988,980	
Royalties and Rents	23,404,842	6,976	374,637,098	-	398,048,916	
Fines and Forfeits	5,688,772	-	20,478,901	-	26,167,673	
Interest and Investment Income	115,888,359	1,951	32,061,012	1,102,494	149,053,816	
Tobacco Settlement	-	-	30,512,364	-	30,512,364	
Commodity Assessments	-	-	23,662,092	-	23,662,092	
Miscellaneous	1,172,316	3,614,627	12,389,634	-	17,176,577	
Total Revenues	3,325,676,338	1,601,577,811	2,966,048,510	8,981,260	7,902,283,919	
<b>EXPENDITURES</b>						
Current:						
General Government	238,246,097	2,904,831	448,804,507	79,261	690,034,696	
Education	894,242,490	138,313,533	83,704,470	-	1,116,260,493	
Health and Human Services	627,143,710	996,137,461	84,421,226	-	1,707,702,397	
Regulatory	19,278,611	5,072,173	34,274,822	-	58,625,606	
Public Safety and Corrections	138,595,109	77,977,695	20,969,934	-	237,542,738	
Agriculture and Commerce	28,455,644	29,014,337	48,834,761	-	106,304,742	
Natural Resources	13,446,718	16,379,257	155,886,142	-	185,712,117	
Transportation	92,381,210	164,494,109	293,507,342	-	550,382,661	
Intergovernmental - Revenue Sharing	2,674,447	-	808,718,299	-	811,392,746	
Capital Outlay	89,364,521	142,727,626	416,490,106	-	648,582,253	
Debt Service:						
Principal	438,581	60,589	256,904	34,988,592	35,744,666	
Interest and Other Charges	146,031	6,487	77,397	7,685,751	7,915,666	
Total Expenditures	2,144,413,169	1,573,088,098	2,395,945,910	42,753,604	6,156,200,781	
Revenues over (under) Expenditures	1,181,263,169	28,489,713	570,102,600	(33,772,344)	1,746,083,138	
<b>OTHER FINANCING SOURCES (USES)</b>						
Capital Lease Acquisitions	158,993	73,625	11,875	-	244,493	
Sale of Capital Assets	-	-	49,910	-	49,910	
Transfers In	555,867,066	146,807	591,533,343	28,652,831	1,176,200,047	
Transfers Out	(1,112,546,051)	(21,819,731)	(581,424,395)	(3,123,125)	(1,718,913,302)	
Total Other Financing Sources (Uses)	(556,519,992)	(21,599,299)	10,170,733	25,529,706	(542,418,852)	
Net Change in Fund Balances	624,743,177	6,890,414	580,273,333	(8,242,638)	1,203,664,286	
Fund Balances - Beginning of Year, as Adjusted	5,235,515,046	5,606,365	6,762,607,259	91,919,526	12,095,648,196	
Fund Balances - End of Year	\$ 5,860,258,223	\$ 12,496,779	\$ 7,342,880,592	\$ 83,676,888	\$ 13,299,312,482	

# STATE OF NORTH DAKOTA

## Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2015

**Net Change in Fund Balances-Total Governmental Funds** \$ 1,203,664,286

Amounts reported for governmental activities in the statement of activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

Capital outlay	648,604,146
Depreciation expense	<u>(95,536,991)</u>
Excess of capital outlay over depreciation expense	553,067,155

In the statement of activities, only the gain/(loss) on the sale of assets is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net position differs from the change in fund balance by the book value of the assets sold.

(4,559,550)

Donations of capital assets increase net position in the statement of activities but do not appear in the governmental funds because they are not financial resources.

497,189

Some of the assets acquired this year were financed through capital leases. The amount financed is reported in the governmental funds as a source of financing. However, capital leases are reported as long-term liabilities in the statement of net position.

(251,880)

Based on receipt dates, some revenues are not considered "available" revenues and are unavailable in the governmental funds. Unavailable revenues increased/decreased by this amount this year.

29,253,677

Internal service funds are used by management to charge the costs of certain activities to individual funds. The net revenue of internal service funds is reported with governmental activities

2,569,083

The pension assets resulting from contributions in excess of annual required contribution are not financial resources and, therefore, are not reported in the funds.

8,324,039

Deferred pension outflows of resources do not provide current financial resources and are not reported as revenues in the funds

11,738,622

Deferred pension inflows are not considered current cash expenses and are not reported as an expenditure in the funds

(59,468,421)

The net pension liability relating to retirement plans

48,081,253

Repayment of long-term debt is reported as an expenditure in governmental funds but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:

Bond principal retirement	33,685,485
Amount deferred on refunding	1,599,000
Note payments	568,891
Capital lease payments	302,786
Total long-term debt repayment	36,156,162

Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds. This adjustment combines the net changes of the following:

Accrued Interest	693,502
Compensated Absences	(378,124)
Other Postemployment Benefit Obligation Costs, net	(158,932)
Claims and Judgments	218,605
Total additional expenditures	375,051

**Change in Net Position of Governmental Activities** \$ 1,829,446,666

# STATE OF NORTH DAKOTA

## Statement of Net Position

### Proprietary Funds

June 30, 2015

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 3,232,000	\$ 132,014,117	\$ 2,448,255	\$ 106,854,049	\$ 244,548,421	\$ 8,634,502	
Cash and Cash Equivalents	-	13,323,821	-	162,360,426	175,684,247	5,466	
Investments at the Bank of ND	-	90,995,410	-	35,863,000	126,858,410	-	
Investments	-	323,085	1,753,102,799	22,671,120	1,776,097,004	12,500,598	
Accounts Receivable - Net	413,000	27,065,540	52,043,695	71,163,783	150,686,018	187,405	
Interest Receivable - Net	136,000	-	9,591,339	1,626,342	11,353,681	48,484	
Intergovernmental Receivable - Net	170,000	27,146,347	-	8,491,770	35,808,117	872,456	
Due from Other Funds	21,000	41,767,942	13	1,386,864	43,175,819	8,944,385	
Due from Fiduciary Funds	-	-	-	19,029	19,029	-	
Due from Component Units	-	11,526,981	-	-	11,526,981	-	
Prepaid Items	38,000	-	536,921	3,022,503	3,597,424	1,697,590	
Inventory	-	8,100,450	-	31,043,714	39,144,164	93,436	
Loans and Notes Receivable - Net	-	7,409,927	-	9,049,881	16,459,808	-	
Other Assets	461,000	3,128,228	-	1,424,893	5,014,121	-	
Restricted Cash at the Bank of ND	13,788,000	-	-	4,175,774	17,963,774	-	
Restricted Cash and Cash Equivalents	127,782,000	-	-	-	127,782,000	-	
Restricted Investments at the Bank of ND	-	-	-	4,500,000	4,500,000	-	
Restricted Interest Receivable - Net	2,482,000	-	-	-	2,482,000	-	
Restricted Loans Receivable - Net	16,043,000	-	-	-	16,043,000	-	
Total Current Assets	164,566,000	362,801,848	1,817,723,022	463,653,148	2,808,744,018	32,984,322	
Noncurrent Assets:							
Restricted Cash at the Bank of ND	-	14,339,186	-	-	14,339,186	-	
Restricted Cash and Cash Equivalents	-	2,453,206	-	-	2,453,206	-	
Restricted Investments at the Bank of ND	-	5,319,810	-	-	5,319,810	-	
Restricted Investments	14,773,000	26,850,403	-	-	41,623,403	-	
Investments at the Bank of ND	-	89,681,000	-	-	89,681,000	-	
Investments	-	11,952,153	-	12,450,000	24,402,153	-	
Due from Component Units	-	331,235	-	-	331,235	-	
Loans and Notes Receivable - Net	-	26,381,519	-	83,601,794	109,983,313	-	
Restricted Loans Receivable - Net	645,512,000	-	-	1,000,000	646,512,000	-	
Unamortized Bond Issuance Costs	-	327,865	-	-	327,865	-	
Other Noncurrent Assets	2,705,000	672,819	-	5,330,828	8,708,647	-	
Capital Assets:							
Nondepreciable	-	232,208,256	901,974	14,649,087	247,759,317	719,809	
Depreciable, Net	-	986,037,371	9,453,833	66,566,196	1,062,057,400	98,166,878	
Total Noncurrent Assets	662,990,000	1,396,554,823	10,355,807	183,597,905	2,253,498,535	98,886,687	
Bank Related Assets:							
Cash and Cash Equivalents	\$ 405,090,000				\$ 405,090,000		
Investments	2,933,570,000				2,933,570,000		
Interest Receivable - Net	41,748,000				41,748,000		
Due from Other Funds	63,805,000				63,805,000		
Due from Component Units	6,000				6,000		
Loans and Notes Receivable - Net	3,745,138,000				3,745,138,000		
Other Assets	3,692,000				3,692,000		
Capital Assets:							
Nondepreciable	2,449,000				2,449,000		
Depreciable, Net	9,229,000				9,229,000		
Total Bank Related Assets	7,204,727,000				7,204,727,000		
Total Assets	7,204,727,000	827,556,000	1,759,356,671	1,828,078,829	647,251,053	12,266,969,553	131,871,009
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Deferred Loss on Bond Refunding	-	-	2,000,923	-	-	2,000,923	-
Financial Derivative Instrument	4,443,000	8,985,000	-	-	-	13,428,000	-
Derived from Pensions	838,000	305,000	13,833,119	822,588	966,867	16,765,574	1,929,503
Total Deferred Outflows of Resources	5,281,000	9,290,000	15,834,042	822,588	966,867	32,194,497	1,929,503

# STATE OF NORTH DAKOTA

## Statement of Net Position

### Proprietary Funds

June 30, 2015

	Business-Type Activities - Enterprise Funds					Governmental Activities	
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts Payable	833,000	29,614,352	3,966,827	22,906,855	57,321,034	5,623,725	
Accrued Payroll	-	36,827,829	-	658,140	37,485,969	2,412,583	
Securities Lending Collateral	-	-	1,318,673	-	1,318,673	-	
Interest Payable	9,364,000	1,132,697	-	17,998	10,514,695	9,336	
Intergovernmental Payable	28,000	365,625	-	8,573,672	8,967,297	-	
Due to Other Funds	10,119,000	2,716,190	202,604	113,737,974	126,775,768	3,205,855	
Due to Fiduciary Funds	-	-	-	361,439	361,439	-	
Due to Component Units	-	3,543,964	-	-	3,543,964	-	
Contracts Payable	-	14,495,228	-	65,484	14,560,712	-	
Other Deposits	-	7,314,290	-	-	7,314,290	-	
Amounts Held in Custody for Others	11,266,000	-	-	5,459,160	16,725,160	-	
Claims/Judgments Payable	-	-	131,600,880	566,710	132,167,590	1,594,625	
Dividends Payable	-	-	103,055,204	-	103,055,204	-	
Compensated Absences Payable	184,000	2,010,601	1,241,855	133,186	3,569,642	162,455	
Notes Payable	-	917,027	-	-	917,027	-	
Capital Leases Payable	-	2,812,162	-	-	2,812,162	16,287	
Bonds Payable	14,960,000	7,821,500	-	-	22,781,500	-	
Unearned Revenue	59,000	21,296,562	160,329,226	708,350	182,393,138	-	
Total Current Liabilities	46,813,000	130,868,027	401,715,269	153,188,968	732,585,264	13,024,866	
Noncurrent Liabilities:							
Intergovernmental Payable	86,000	3,976,372	-	5,096,223	9,158,595	-	
Due to Component Units	-	44,823,174	-	-	44,823,174	-	
Claims/Judgments Payable	-	-	965,073,120	-	965,073,120	6,102,255	
Compensated Absences Payable	106,000	29,851,124	202,162	1,244,430	31,403,716	2,085,245	
Notes Payable	-	19,937,998	-	-	19,937,998	-	
Capital Leases Payable	-	15,412,866	-	-	15,412,866	17,526	
Bonds Payable	622,195,000	213,814,500	-	1,000,000	837,009,500	-	
Financial Derivative Instrument	8,984,000	-	-	-	8,984,000	-	
Net Pension Liability	1,604,000	71,311,046	5,953,413	6,938,966	85,807,425	14,517,200	
Other Noncurrent Liabilities	4,435,000	6,502,022	-	12,061,000	22,998,022	-	
Total Noncurrent Liabilities	637,410,000	405,629,102	971,228,695	26,340,619	2,040,608,416	22,722,226	
Bank Related Liabilities:							
Interest Payable	174,000	-	-	-	174,000	-	
Due to Other Funds	1,171,000	-	-	-	1,171,000	-	
Due to Component Units	552,000	-	-	-	552,000	-	
Federal Funds Purchased	178,455,000	-	-	-	178,455,000	-	
Deposits Held for Other Funds	4,722,668,478	-	-	-	4,722,668,478	-	
Net Pension Liability	6,245,000	-	-	-	6,245,000	-	
Other Deposits	1,007,942,522	-	-	-	1,007,942,522	-	
Other Liabilities	6,245,000	-	-	-	6,245,000	-	
Long Term Liabilities:							
Due within one year	108,236,000	-	-	-	108,236,000	-	
Due in more than one year	537,404,000	-	-	-	537,404,000	-	
Total Bank Related Liabilities	6,569,093,000	-	-	-	6,569,093,000	-	
Total Liabilities	6,569,093,000	684,223,000	536,497,129	1,372,943,964	179,529,587	9,342,286,680	35,747,092
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Grants Received Prior to Time Requirements	-	-	84,598	-	-	84,598	-
Increase in Fair Value of Hedging Derivatives	-	-	-	-	1,411,163	1,411,163	-
Derived from Pensions	1,524,000	313,000	13,915,594	1,174,902	1,354,721	18,282,217	2,833,916
Total Deferred Inflows of Resources	1,524,000	313,000	14,000,192	1,174,902	2,765,884	19,777,978	2,833,916
<b>NET POSITION</b>							
Net Investment in Capital Assets	11,678,000	-	920,135,843	10,355,807	81,215,283	1,023,384,933	98,852,873
Restricted for:							
Capital Projects	-	-	44,930	-	-	44,930	-
Debt Service	-	144,952,000	13,112,199	-	434,000	158,498,199	-
Loan Purposes	-	-	45,537,778	-	586,692	46,124,470	-
Pledged Assets	48,235,000	-	-	-	-	48,235,000	-
Unemployment Compensation	-	-	-	-	176,760,217	176,760,217	-
University System-Nonependable	-	-	15,249,356	-	-	15,249,356	-
University System-Expendable	-	-	35,406,851	-	-	35,406,851	-
Other	-	-	562,790	-	4,130,293	4,693,083	-
Unrestricted	579,478,000	7,358,000	194,643,645	444,426,744	202,795,964	1,428,702,353	(3,633,370)
Total Net Position	\$ 639,391,000	\$ 152,310,000	\$ 1,224,693,392	\$ 454,782,551	\$ 465,922,449	\$ 2,937,099,392	\$ 95,219,503

### Reconciliation of the Proprietary Funds Statement of Net Position to the Statement of Net Position

June 30, 2015

#### Total Net Position - Enterprise Funds

Amounts reported for business-type activities in the statement of net position are different because:

Prior year net assets restatement and reduction of current year expenses

based on the allocation of internal service fund's net income

#### Net Position of Business-Type Activities

2,937,099,392

11,156,879

2,948,256,271

# STATE OF NORTH DAKOTA

## Statement of Revenues, Expenses and Changes in Fund Net Position Proprietary Funds

For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds						Governmental Activities
	Bank of North Dakota	Housing Finance	University System	Workforce Safety and Insurance	Other Enterprise Funds	Total	Internal Service Funds
<b>OPERATING REVENUES</b>							
<b>Sales and Services</b>							
Sales and Services	\$ 7,555,000	\$ 3,523,013	\$ 102,262,141	\$ 335,179,055	\$ 717,632,356	\$ 1,166,151,565	\$ 97,169,565
Auxiliary Sales Pledges for Bonds	-	-	105,361,774	-	-	105,361,774	-
Tuition and Fees	-	-	303,762,531	-	-	303,762,531	-
Grants and Contributions	-	-	136,648,191	-	-	136,648,191	-
Royalties and Rents	-	-	-	753,022	176,937	929,959	-
Fines and Forfeits	-	-	-	3,874,619	-	3,874,619	-
Interest and Investment Income	183,470,000	30,863,000	-	-	1,680,634	216,013,634	-
Miscellaneous	-	-	2,300,109	-	9,658,088	11,958,197	53,118
<b>Total Operating Revenues</b>	<b>191,025,000</b>	<b>34,386,013</b>	<b>650,334,746</b>	<b>339,806,696</b>	<b>729,148,015</b>	<b>1,944,700,470</b>	<b>97,222,683</b>
<b>OPERATING EXPENSES</b>							
Cost of Sales and Services	-	-	22,696,419	-	210,764,145	233,460,564	1,153,525
Salaries and Benefits	13,159,000	3,249,000	754,027,176	22,128,779	20,098,126	812,662,081	28,477,648
Operating	25,635,000	4,436,000	280,618,853	4,986,155	342,148,832	657,824,840	47,159,045
Claims	-	-	-	248,084,909	146,844,303	394,929,212	4,098,889
Scholarships and Fellowships	-	-	33,266,005	-	-	33,266,005	-
Interest	31,455,000	17,850,000	-	-	9,466	49,314,466	-
Depreciation	771,000	1,000	60,927,835	372,402	5,614,985	67,687,222	14,158,712
Miscellaneous	-	-	7,336,736	-	4,000	7,340,736	-
<b>Total Operating Expenses</b>	<b>71,020,000</b>	<b>25,536,000</b>	<b>1,158,873,024</b>	<b>275,572,245</b>	<b>725,483,857</b>	<b>2,256,485,126</b>	<b>95,047,819</b>
<b>Operating Income (Loss)</b>	<b>120,005,000</b>	<b>8,850,013</b>	<b>(508,538,278)</b>	<b>64,234,451</b>	<b>3,664,158</b>	<b>(311,784,656)</b>	<b>2,174,864</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Grants and Contracts	-	11,566,000	43,405,272	-	1,262,920	56,234,192	-
Gifts	-	-	32,687,424	-	-	32,687,424	-
Interest and Investment Income	-	152,000	5,047,016	60,172,170	5,286,783	70,657,969	532,963
Interest Expense	-	-	(13,475,759)	(4,409,843)	(238,361)	(18,123,963)	(25,816)
Dividends Expense	-	-	-	(97,925,896)	-	(97,925,896)	-
Gain (Loss) on Sale of Capital Assets	-	-	1,681,218	-	(1,138)	1,680,080	(511,836)
Tax Revenue	-	-	3,884,105	-	-	3,884,105	-
Grant Expense	-	(11,974,000)	-	-	-	(11,974,000)	-
Other	-	2,000	-	-	(657,780)	(655,780)	5,947
<b>Total Nonoperating Revenues (Expenses)</b>	<b>-</b>	<b>(254,000)</b>	<b>73,229,276</b>	<b>(42,163,569)</b>	<b>5,652,424</b>	<b>36,464,131</b>	<b>1,258</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>120,005,000</b>	<b>8,596,013</b>	<b>(435,309,002)</b>	<b>22,070,882</b>	<b>9,316,582</b>	<b>(275,320,525)</b>	<b>2,176,122</b>
Capital Grants and Contributions	-	-	36,923,275	-	-	36,923,275	854,829
Transfers In	-	1,943,987	567,021,041	-	5,760,185	574,725,213	-
Transfer Out	(17,388,000)	(30,000)	(5,326,551)	-	(16,000,670)	(38,745,221)	-
<b>Changes in Net Position</b>	<b>102,617,000</b>	<b>10,510,000</b>	<b>163,308,763</b>	<b>22,070,882</b>	<b>(923,903)</b>	<b>297,582,742</b>	<b>3,030,951</b>
<b>Total Net Position - Beginning of Year, as Adjusted</b>	<b>536,774,000</b>	<b>141,800,000</b>	<b>1,061,384,629</b>	<b>432,711,669</b>	<b>466,846,352</b>	<b>2,639,516,650</b>	<b>92,188,552</b>
<b>Total Net Position - End of Year</b>	<b>\$ 639,391,000</b>	<b>\$ 152,310,000</b>	<b>\$ 1,224,693,392</b>	<b>\$ 454,782,551</b>	<b>\$ 465,922,449</b>	<b>\$ 2,937,099,392</b>	<b>\$ 95,219,503</b>

### Reconciliation of Statement of Revenues, Expenses and Changes in Fund Net Position of Proprietary Funds to the Statement of Activities For the Fiscal Year Ended June 30, 2015

**Net Change in Net Position-Total Enterprise Funds** \$ 297,582,742

Amounts reported for business-type activities in the statement of net assets are different because:

Expenses were reduced based on the allocation of internal service fund's net income 461,877

**Change in Net Position of Business-Type Activities** \$ 298,044,619

The Accompanying Notes are an Integral Part of the Financial Statements



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# STATE OF NORTH DAKOTA

## Statement of Cash Flows Proprietary Funds

For the Fiscal Year Ended June 30, 2015

Business-Type Activities - Enterprise Funds			
	Bank of North Dakota	Housing Finance	University System
<b>Cash Flows from Operating Activities:</b>			
Receipts from Customers and Users	\$ 9,639,000	\$ 149,482,013	\$ 213,608,710
Receipts from Tuition and Fees	-	-	305,613,819
Interest Income on Loans	-	-	-
Receipts from Loan Principal Repayments	-	-	8,178,403
Receipts from Federal and Local Agencies	-	81,000	-
Receipts from Other Funds	-	-	-
Receipts from Grants and Contracts	-	-	141,338,398
Receipts from Others	-	-	-
Payments for Loan Funds	-	(238,000)	(6,392,469)
Payments to Other Funds	-	-	-
Payments for Scholarships and Fellowships	-	-	(33,029,080)
Payments to Suppliers	(18,395,000)	(151,786,000)	(310,848,265)
Payments to Employees	(13,732,000)	(3,246,000)	(751,977,988)
Claim Payments	-	-	-
Payments to Others	-	(579,000)	(4,243,888)
Other	-	-	-
Net Cash Provided by (Used for) Operating Activities	(22,488,000)	(6,285,987)	(437,752,360)
<b>Cash Flows from Noncapital Financing Activities:</b>			
Proceeds from Bonds	-	121,158,000	-
Proceeds from Sale of Notes and Other Borrowings	600,000,000	-	-
Principal Payments - Bonds	-	(136,385,000)	-
Principal Payments - Notes and Other Borrowings	(420,835,000)	-	-
Interest Payments - Bonds	-	(18,303,000)	-
Interest Payments - Notes and Other Borrowings	(24,675,000)	-	-
Tax Collections	-	-	3,884,105
Transfers In	-	1,943,987	26,652,868
Transfers Out	(17,345,000)	(30,000)	(236,925)
Net Decrease in Non-Interest Bearing Deposits	(98,113,000)	-	-
Net Increase in Interest Bearing Deposits	227,597,000	-	-
Payments of Interest on Deposits	(13,230,000)	-	-
Interest Paid on Federal Funds and Reverse Repurchase Agreements	(269,000)	-	-
Net Decrease in Federal Funds and Reverse Repurchase Agreements	(66,655,000)	-	-
Advances Made	-	-	-
Collection of Advances Made	6,783,000	-	-
Loan Proceeds from Due To Other Funds	-	62,299,000	173,330,485
Principal Payments on Due To Other Funds	-	(52,200,000)	(173,180,107)
Grants and Gifts Received for Other than Capital Purposes	-	11,568,000	66,788,899
State Appropriations	-	-	420,384,373
Agency Fund Cash Decrease	-	-	1,570,575
Grants Given for Other than Capital Purposes	-	(11,974,000)	(3,258,890)
Net Cash Provided by (Used for) Noncapital Financing Activities	193,258,000	(21,923,013)	515,935,383
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Acquisition and Construction of Capital Assets	(491,000)	-	(213,295,604)
Proceeds from Sale of Capital Assets	-	-	3,527,149
Payments for Discontinued Operations	-	-	-
Proceeds from Sale of Notes and Other Borrowings	-	-	41,917,087
Principal Payments - Bonds	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	(45,904,456)
Interest Payments - Notes and Other Borrowings	-	-	(13,702,718)
Capital Appropriations	-	-	114,906,894
Payment on Capital Leases	-	-	-
Interest Payments - Capital Leases	-	-	-
Operating Transfers Out to Other Funds	-	-	(5,089,626)
Capital Grants and Gifts Received	-	-	35,511,006
Net Cash Used for Capital and Related Financing Activities	(491,000)	-	(82,130,268)
<b>Cash Flows from Investing Activities:</b>			
Proceeds from Sale and Maturities of Investment Securities	926,991,000	500,000	176,154,865
Purchase of Investment Securities	(1,260,483,000)	(3,920,000)	(198,479,990)
Interest and Dividends on Investments	26,720,000	861,000	5,905,132
Proceeds from Sale of Other Real Estate	319,000	-	-
Net Decrease in Loans	(384,886,000)	-	-
Disbursements for Loans and Loan Purchases	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Proceeds from Collection of Loans and Notes Receivable	8,352,000	-	-
Loan Income Received	141,354,000	-	-
Net Cash Provided by (Used for) Investing Activities	(541,633,000)	(2,559,000)	(16,419,993)

The Accompanying Notes are an Integral Part of the Financial Statements

Business-Type Activities - Enterprise Funds				Governmental Activities	
Workforce Safety and Insurance	Other Enterprise Funds	Total		Internal Service Funds	
\$ 243,293,479	\$ 787,184,164	\$ 1,403,207,366	\$ 5,566,797		
-	-	305,613,819	-		
-	86,971	86,971	-		
-	19,469,467	27,647,870	-		
-	-	81,000	-		
-	-	141,338,398	89,027,067		
6,923,205	530,844	7,454,049	-		
(2,870,142)	(17,938,044)	(24,330,513)	-		
-	(615,441)	(3,723,583)	(188,572)		
-	-	(33,029,080)	-		
-	(620,325,397)	(1,101,354,662)	(45,742,438)		
(22,142,738)	(21,720,582)	(812,819,308)	(28,427,521)		
(207,935,686)	(125,101,610)	(333,037,296)	(362,728)		
(15,325,793)	(537,722)	(20,686,403)	(4,262,714)		
-	26,000	26,000	5,947		
<b>1,942,325</b>	<b>21,058,650</b>	<b>(443,525,372)</b>	<b>15,615,838</b>		
-	-	121,158,000	-		
-	16,000,000	616,000,000	-		
-	-	(136,385,000)	-		
-	(21,021,616)	(441,856,616)	-		
-	(9,000)	(18,312,000)	-		
-	(302,294)	(24,977,294)	-		
-	-	3,884,105	-		
-	3,473,000	32,069,855	393,597		
-	(17,951,470)	(35,563,395)	(393,597)		
-	-	(98,113,000)	-		
-	-	227,597,000	-		
-	-	(13,230,000)	-		
-	-	(269,000)	-		
-	-	(66,655,000)	-		
-	-	-	(3,000,000)		
-	-	6,783,000	-		
-	-	235,629,485	-		
-	(4,129,715)	(229,509,822)	-		
-	1,385,577	79,742,476	-		
-	-	420,384,373	-		
-	-	1,570,575	-		
-	-	(15,232,890)	-		
<b>-</b>	<b>(22,555,518)</b>	<b>664,714,852</b>	<b>(3,000,000)</b>		
(79,520)	(14,848,005)	(228,714,129)	(23,938,356)		
-	-	3,527,149	3,419,215		
-	(9,965)	(9,965)	-		
-	-	41,917,087	-		
-	-	-	-		
-	(61,035)	(45,965,491)	-		
-	(466)	(13,703,184)	-		
-	2,287,185	117,194,079	-		
-	-	-	(15,615)		
-	-	-	(1,806)		
-	-	(5,089,626)	-		
-	-	35,511,006	-		
<b>(79,520)</b>	<b>(12,632,286)</b>	<b>(95,333,074)</b>	<b>(20,536,562)</b>		
23,000,000	51,244,918	1,177,890,783	89,689		
(25,497,144)	(41,654,000)	(1,530,034,134)	(239,737)		
-	5,466,203	38,952,335	513,801		
-	-	319,000	-		
-	-	(384,886,000)	-		
-	(10,808,951)	(10,808,951)	-		
-	766,000	766,000	-		
-	4,304,792	12,656,792	-		
-	1,117,147	142,471,147	-		
<b>(2,497,144)</b>	<b>10,436,109</b>	<b>(552,673,028)</b>	<b>363,753</b>		

# STATE OF NORTH DAKOTA

## Statement of Cash Flows Proprietary Funds (Continued)

For the Fiscal Year Ended June 30, 2015

	Business-Type Activities - Enterprise Funds		
	Bank of North Dakota	Housing Finance	University System
<b>Net Change in Cash:</b>			
Net Increase (Decrease) in Cash and Cash Equivalents		(371,354,000)	(20,367,238)
Cash and Cash Equivalents at June 30, 2014		776,444,000	182,497,568
Cash and Cash Equivalents at June 30, 2015	\$ 405,090,000	\$ 144,802,000	\$ 162,130,330
<b>Reconciliation:</b>			
Current:			
Cash Deposits at the Bank of North Dakota	\$ -	\$ 3,232,000	\$ 132,014,117
Cash and Cash Equivalents	405,090,000	-	13,323,821
Restricted Cash Deposits at the Bank of North Dakota	-	13,788,000	-
Restricted Cash and Cash Equivalents	-	127,782,000	-
Noncurrent:			
Restricted Cash Deposits At The Bank of North Dakota	-	-	14,339,186
Restricted Cash and Cash Equivalents	-	-	2,453,206
Cash and Cash Equivalents	\$ 405,090,000	\$ 144,802,000	\$ 162,130,330
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>			
Operating Income (Loss)	\$ 120,005,000	\$ 8,850,013	\$ (508,538,278)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:			
Depreciation	771,000	1,000	60,927,835
Amortization/Accretion	-	(760,000)	-
Reclassification of Interest Revenue/Expense	(136,107,000)	17,839,000	-
Gain on Sale of Student Loans	(99,000)	-	-
Gain on Sale of Real Estate	105,000	-	-
Net Increase in Fair Value of Investments	(15,908,000)	-	-
Interest Received on Program Loans	-	-	-
Dividend Credit Applied to Receivable	-	-	-
Receipt of Loan Principal Repayments	-	-	-
Provision for Losses	8,000,000	-	-
Other	-	-	2,243,336
Deferred Outflows	-	(76,000)	(11,522,510)
Deferred Inflows	-	313,000	-
Change in Assets and Liabilities:			
(Increase) Decrease in Accounts Receivable	-	(32,214,000)	12,830,102
(Increase) Decrease in Interest Receivable	-	(43,000)	-
(Increase) Decrease in Due From	6,750,000	5,000	-
Increase in Intergovernmental Receivable	-	(25,000)	-
Decrease in Notes Receivable	-	-	2,061,017
(Increase) Decrease in Prepaid Items	-	17,000	-
Increase in Inventories	-	-	175,448
(Increase) Decrease in Other Assets	(854,000)	(1,014,000)	(8,258,262)
Increase (Decrease) in Accounts Payable	-	-	(2,253,963)
Increase in Interest Payable	-	-	-
Increase (Decrease) in Claims/Judgments Payable	-	-	-
Increase (Decrease) in Intergovernmental Payable	-	(32,000)	-
Increase in Accrued Payroll	-	-	2,796,762
Increase (Decrease) in Compensated Absences Payable	-	9,000	219,619
Decrease in Amounts Held for Others	-	1,072,000	-
Decrease in Other Deposits	-	-	(545,203)
Increase (Decrease) in Due To	(3,807,000)	4,000	-
Increase in Unavailable Revenue	-	-	1,556,423
Increase (Decrease) in Net Pension Liability	-	(251,000)	10,555,314
Increase (Decrease) in Other Liabilities	(1,344,000)	19,000	-
Decrease in Dividends Payable	-	-	-
Total Adjustments	(142,493,000)	(15,136,000)	70,785,918
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (22,488,000)</b>	<b>\$ (6,285,987)</b>	<b>\$ (437,752,360)</b>
<b>Noncash Transactions:</b>			
Net Change in Fair Value of Investments	\$ 15,908,000	\$ (708,000)	12,670
Transfers from Net Position to Transfers Payable	17,388,000	-	-
Interest on Investments	-	-	-
Assets Acquired Through Capital Lease	-	-	3,404,147
Assets Acquired Through Special Assessments	-	-	89,539
Expenses Paid by Capital Lease	-	-	1,344,419
Value Received on Trade of Capital Asset	-	-	-
Gifts of Capital Assets	-	-	1,025,324
Interest Revenue on Prize Reserves	-	-	-
Total Noncash Transactions	\$ 33,296,000	\$ (708,000)	\$ 5,876,099

Business-Type Activities - Enterprise Funds				Governmental Activities	
Workforce Safety and Insurance	Other Enterprise Funds	Total		Internal Service Funds	
(634,339)	(3,693,045)	(426,816,622)		(7,556,971)	
3,082,594	277,083,292	1,414,677,454		16,196,939	
<b>\$ 2,448,255</b>	<b>\$ 273,390,247</b>	<b>\$ 987,860,832</b>		<b>\$ 8,639,968</b>	
\$ 2,448,255	\$ 106,854,047	\$ 244,548,419	\$ 8,634,502		
-	162,360,426	580,774,247	5,466		
-	4,175,774	17,963,774	-		
-	-	127,782,000	-		
-	-	14,339,186	-		
-	-	2,453,206	-		
<b>\$ 2,448,255</b>	<b>\$ 273,390,247</b>	<b>\$ 987,860,832</b>		<b>\$ 8,639,968</b>	
\$ 64,234,451	\$ 3,664,158	\$ (311,784,656)	\$ 2,174,865		
372,402	5,325,279	67,397,516	14,158,712		
-	289,706	(470,294)	-		
-	(874,417)	(119,142,417)	-		
-	-	(99,000)	-		
-	-	105,000	-		
-	-	(15,908,000)	-		
-	29,000	29,000	-		
(97,925,896)		(97,925,896)	-		
-	4,868,000	4,868,000	-		
-	3,172,908	11,172,908	-		
-	(3,890)	2,239,446	(14,201)		
-	(679,215)	(12,277,725)	(1,779,014)		
-	342,246	655,246	2,833,916		
2,563,088	6,292,141	(10,528,669)	9,442		
-	753	(42,247)	-		
-	(1,657)	6,753,343	(1,963,471)		
-	(2,004,011)	(2,029,011)	(831,340)		
-	658,344	2,719,361	-		
(179,412)	(660,873)	(823,285)	(85,570)		
-	(1,201,785)	(1,026,337)	(7,195)		
-	88,841	(10,037,421)	-		
313,470	(1,246,591)	(3,187,084)	3,958,384		
-	178,835	178,835	-		
43,868,000	(1,339,761)	42,528,239	(303,164)		
-	202,427	170,427	(42,056)		
-	527,035	3,323,797	53,563		
8,211	130,380	367,210	57,129		
-	317,209	1,389,209	-		
-		(545,203)	-		
36,933	2,501,826	(1,264,241)	(201,965)		
7,375,167	297,111	9,228,701	-		
(46,192)	284,248	10,542,370	(2,402,197)		
-	(99,597)	(1,424,597)	-		
(18,677,897)	-	(18,677,897)	-		
<b>(62,292,126)</b>	<b>17,394,492</b>	<b>(131,740,716)</b>	<b>13,440,973</b>		
<b>\$ 1,942,325</b>	<b>\$ 21,058,650</b>	<b>\$ (443,525,372)</b>	<b>\$ 15,615,838</b>		
\$ (139,658,810)	\$ (170,730)	\$ (124,616,870)	\$ 19,651		
-	-	17,388,000	-		
56,679,528	-	56,679,528	-		
-	-	3,404,147	-		
-	-	89,539	-		
-	-	1,344,419	-		
-	13,047	13,047	-		
-	-	1,025,324	-		
-	317	317	-		
<b>\$ (82,979,282)</b>	<b>\$ (157,366)</b>	<b>\$ (44,672,549)</b>	<b>\$ 19,651</b>		

# STATE OF NORTH DAKOTA

## Statement of Fiduciary Net Position

### Fiduciary Funds

June 30, 2015

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds	Agency Funds
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 28,097,771	\$ -	\$ 7,111,169	\$ 32,291,501
Cash and Cash Equivalents	-	-	2,970,918	11,630,880
Receivables:				
Contributions Receivable	35,851,209	-	-	-
Accounts Receivable - Net	-	-	105,750	11,151,199
Taxes Receivable - Net	-	-	-	36,055,879
Interest Receivable - Net	13,357,789	214,224	848	-
Due from Other Funds	361,899	-	3	-
Due from Fiduciary Funds	236,162	-	-	-
Total Receivables	49,807,059	214,224	106,601	47,207,078
Investments, at Fair Value:				
Investments at the Bank of ND	-	-	21,597	28,221,570
Equity Pool	2,510,073,403	110,896,838	-	-
Fixed Income Pool	1,138,527,840	74,020,678	1,205,104	140,605
Cash and Cash Pool	70,365,453	2,570,227	-	-
Real Estate Pool	819,871,783	34,207,673	-	-
Alternative Investments	170,629,847	6,707,812	-	-
Annuities	114,498	-	-	-
Mutual Funds	106,354,990	-	384,478,493	-
Total Investments	4,815,937,814	228,403,228	385,705,194	28,362,175
Invested Securities Lending Collateral	-	-	58,456	-
Prepaid Items	483	-	-	-
Capital Assets (Net of Depreciation)	3,826,759	-	-	-
Total Assets	4,897,669,886	228,617,452	395,952,338	119,491,634
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Derived from Pensions	76,002	-	-	-
Total deferred outflows of resources	76,002	-	-	-
<b>LIABILITIES</b>				
Accounts Payable	8,614,188	316,832	1,344,956	-
Accrued Payroll	150,521	-	-	-
Securities Lending Collateral	-	-	58,456	-
Intergovernmental Payable	-	-	-	72,017,836
Tax Refunds Payable	-	-	-	69,524
Due to Other Funds	47,165	-	-	-
Due to Fiduciary Funds	313,483	-	-	-
Amounts Held in Custody for Others	18,695	-	-	47,404,274
Compensated Absences Payable	154,615	-	-	-
Total Liabilities	9,298,667	316,832	1,403,412	119,491,634
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Derived from Pensions	93,175	-	-	-
Total deferred inflows of resources	93,175	-	-	-
<b>NET Position</b>				
Net Position Restricted for:				
Pension Benefits	4,886,575,198	-	-	-
Other Employee Benefits	1,778,848	-	-	-
External Investment Pool Participants	-	228,300,620	-	-
Other Purposes	-	-	394,548,926	-
Total Net Position Restricted for Pension Benefits and Other Purposes	\$ 4,888,354,046	\$ 228,300,620	\$ 394,548,926	\$ -

# STATE OF NORTH DAKOTA

## Statement of Changes in Fiduciary Net Position Fiduciary Funds For the Fiscal Year Ended June 30, 2015

	Pension and Other Employee Benefit Trust Funds	Investment Trust Funds	Private-Purpose Trust Funds
<b>ADDITIONS</b>			
Contributions:			
Employer	\$ 163,986,207	\$ -	\$ -
Employee	157,183,883	-	-
From Participants	-	-	39,008,006
Transfers from Other Funds	532,647	-	-
Transfers from Other Plans	1,491,209	-	-
Donations	-	-	305,967
Total Contributions	<u>323,193,946</u>	<u>-</u>	<u>39,313,973</u>
Investment Income:			
Net Change in Fair Value of Investments	81,826,878	4,211,593	15,580,254
Interest and Dividends	<u>99,958,138</u>	<u>4,371,519</u>	<u>8,095,533</u>
Less Investment Expense	<u>15,676,900</u>	<u>712,588</u>	<u>-</u>
Net Investment Income	<u>166,108,116</u>	<u>7,870,524</u>	<u>23,675,787</u>
Repurchase Service Credit	8,696,285	-	-
Miscellaneous Income	<u>1,249,327</u>	<u>-</u>	<u>-</u>
Total Additions	<u>499,247,674</u>	<u>7,870,524</u>	<u>62,989,760</u>
<b>DEDUCTIONS</b>			
Benefits Paid to Participants	314,093,290	-	-
Refunds	11,331,562	-	-
Prefunded Credit Applied	7,246,091	-	-
Transfer to Other Plans	532,647	-	-
Payments in Accordance with Trust Agreements	-	-	36,102,514
Administrative Expenses	<u>5,989,372</u>	<u>-</u>	<u>2,856,105</u>
Total Deductions	<u>339,192,962</u>	<u>-</u>	<u>38,958,619</u>
Redemption of Units at Net Asset Value of \$1.00 Per Unit	<u>-</u>	<u>(2,617,172)</u>	<u>-</u>
Change in Net Position Held in Trust for:			
Pension Benefits	159,892,333	-	-
Other Employee Benefits	162,379	-	-
External Investment Pool Participants	-	5,253,352	-
Other Purposes	-	-	24,031,141
Total Change in Net Position	<u>160,054,712</u>	<u>5,253,352</u>	<u>24,031,141</u>
Net Position - Beginning of Year, as Adjusted	<u>4,728,299,334</u>	<u>223,047,268</u>	<u>370,517,785</u>
Net Position - End of Year	<u>\$ 4,888,354,046</u>	<u>\$ 228,300,620</u>	<u>\$ 394,548,926</u>

The Accompanying Notes are an Integral Part of the Financial Statements



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# STATE OF NORTH DAKOTA

## Combining Statement of Net Position Component Units - Proprietary Funds (Excludes FASB Based Component Units) June 30, 2015

	CHAND	Historical Foundation	Public Finance Authority	ND Development Fund	Total
<b>ASSETS</b>					
Current Assets:					
Cash and Cash Equivalents	\$ 6,790,697	\$ 1,087,927	\$ -	\$ 17,916,123	\$ 25,794,747
Investments	-	107,718	-	75,000	182,718
Accounts Receivable - Net	34,465	1,325,755	-	-	1,360,220
Interest Receivable - Net	-	-	-	38,520	38,520
Due from Primary Government	-	-	172,000	-	172,000
Loans and Notes Receivable - Net	-	-	-	4,858,932	4,858,932
Restricted Cash and Cash Equivalents	-	-	36,001,000	-	36,001,000
Restricted Investments	-	-	97,177,000	-	97,177,000
Restricted Interest Receivable - Net	-	-	4,342,000	-	4,342,000
Total Current Assets	6,825,162	2,521,400	137,692,000	22,888,575	169,927,137
Noncurrent Assets:					
Restricted Investments	-	-	600,796,000	-	600,796,000
Investments	-	208,810	-	-	208,810
Due from Primary Government	-	-	380,000	-	380,000
Loans and Notes Receivable - Net	-	-	-	3,386,675	3,386,675
Other Noncurrent Assets	-	182,186	150,000	-	332,186
Capital Assets:					
Depreciable, Net	-	13,447	-	13,249	26,696
Total Noncurrent Assets	-	404,443	601,326,000	3,399,924	605,130,367
Total Assets	6,825,162	2,925,843	739,018,000	26,288,499	775,057,504
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Deferred loss on bond refunding	-	-	4,769,000	-	4,769,000
Derived from Pensions	-	-	14,000	-	14,000
Total Deferred Outflows of Resources	-	-	4,783,000	-	4,783,000
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	1,433,068	26,624	36,000	24,195	1,519,887
Accrued Payroll	-	11,982	-	-	11,982
Interest Payable	-	-	2,250,000	-	2,250,000
Compensated Absences Payable	-	30,641	-	-	30,641
Bonds Payable	-	-	17,830,000	-	17,830,000
Unearned Revenue	118,276	51,750	-	-	170,026
Total Current Liabilities	1,551,344	120,997	20,116,000	24,195	21,812,536
Noncurrent Liabilities:					
Intergovernmental Payable	-	-	12,000	-	12,000
Bonds Payable	-	-	279,106,000	-	279,106,000
Net Pension Liability	-	-	112,000	-	112,000
Other Noncurrent Liabilities	-	143,334	-	-	143,334
Total Noncurrent Liabilities	-	143,334	279,230,000	-	279,373,334
Total Liabilities	1,551,344	264,331	299,346,000	24,195	301,185,870
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Derived from Pensions	-	-	27,000	-	27,000
Total Deferred Inflows of Resources	-	-	27,000	-	27,000
<b>Net Position</b>					
Net Investment in Capital Assets	-	13,447	-	13,249	26,696
Restricted for:					
Capital Projects	-	2,186,533	-	-	2,186,533
Debt Service	-	-	120,463,000	-	120,463,000
Loan Purposes	-	-	322,531,000	-	322,531,000
Endowment Funds-Nonexpendable	-	80,000	-	-	80,000
Unrestricted	5,273,818	381,532	1,434,000	26,251,055	33,340,405
Total Net Position	\$ 5,273,818	\$ 2,661,512	\$ 444,428,000	\$ 26,264,304	\$ 478,627,634



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## STATE OF NORTH DAKOTA

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### Combining Statement of Activities

#### Component Units - Proprietary Funds

(Excludes FASB Based Component Units)

For the Fiscal Year Ended June 30, 2015

Functions/Programs	Program Revenues			Net (Expense) Revenue	Change in Net Position	Net Position	
	Expenses	Charges for Services	Operating Grants and Contributions			Beginning of Year, as Adjusted	Net Position End of Year
CHAND	9,624,681	11,361,361	254,056	\$ 1,990,736	\$ 1,990,736	\$ 3,283,082	\$ 5,273,818
Historical Foundation	2,579,363	809,397	52,372	(1,717,594)	(1,717,594)	4,379,106	2,661,512
Public Finance Authority	16,215,000	2,052,000	36,634,000	22,471,000	22,471,000	421,957,000	444,428,000
ND Development Fund	568,300	755,146	7,284	194,130	194,130	26,070,174	26,264,304
<b>Total Component Units</b>	<b>\$ 28,987,344</b>	<b>\$ 14,977,904</b>	<b>\$ 36,947,712</b>	<b>\$ 22,938,272</b>	<b>\$ 22,938,272</b>	<b>\$ 455,689,362</b>	<b>\$ 478,627,634</b>

# STATE OF NORTH DAKOTA

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# STATE OF NORTH DAKOTA

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## NOTES TO THE FINANCIAL STATEMENTS For the Fiscal Year Ended June 30, 2015

### **NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The primary authority for the State's accounting and reporting requirements is the Office of Management and Budget. The Office of Management and Budget has adopted the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the State's accounting policies are as follows:

#### **A. REPORTING ENTITY**

For financial reporting purposes, the State of North Dakota has included all funds, organizations, agencies, boards and commissions that make up its legal entity. The State has also included all potential component units for which it is financially accountable, and other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the State to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the State.

As required by accounting principles generally accepted in the United States of America, these financial statements present the State of North Dakota (the primary government) and its component units. The component units are included in the State's reporting entity because of the significance of their operational or financial relationships with the State.

#### **BLENDED COMPONENT UNITS**

These component units are entities that are legally separate from the State, but are so intertwined with the State that they are, in substance, the same as the State. They are reported as part of the State and blended into the appropriate fund types.

**Building Authority (Debt Service Fund and Capital Projects Fund)** - The Building Authority was created by the Legislature as a separate instrumentality of the State. Its purpose is to promote the general welfare of the citizens of the State by providing financing for use by the State in altering, repairing, maintaining or constructing buildings and making any improvements connected to State buildings. The Industrial Commission, which consists of the governor, the attorney general, and the commissioner of agriculture, is

the governing board of the Building Authority. The funds and account groups of the Building Authority were audited by other independent auditors for the fiscal year ended June 30, 2015, and their report has been previously issued under a separate cover.

#### **DISCRETELY PRESENTED COMPONENT UNITS**

These component units are entities that are legally separate from the State, but are financially accountable to the State. The component units' columns of government-wide financial statements include the financial data of these entities.

#### **MAJOR COMPONENT UNITS**

**Comprehensive Health Association (Proprietary Fund Type)** - The Association was established by the Legislature with participating membership consisting of those insurance companies, licensed or authorized to do business in the State. It provides low cost access to health insurance coverage for residents of the State who are denied adequate health insurance and are considered uninsurable. The Association is governed by a board of eight members of which five are representatives of the State and is regulated by the State Insurance Department. The Association was audited by other independent auditors for the calendar year ended December 31, 2014, and their report has been previously issued under a separate cover.

**Public Finance Authority (Proprietary Fund Type)** - The Finance Authority was created by the Legislature as a separate agency of the State. The purpose of the Finance Authority is to make funds available for borrowing by North Dakota political subdivisions through the issuance of its bonds and the purchase of municipal securities of the political subdivisions. The Finance Authority has been granted all powers required in order to accomplish this purpose and is under the control and management of the Industrial Commission. The Fund was audited by other independent auditors for the calendar year ended December 31, 2014, and their report has been previously issued under a separate cover.

**North Dakota Development Fund, Inc. (Proprietary Fund Type)** - The Development Fund was established as a statewide nonprofit development corporation with the authority to take equity positions in; to provide loans to; or to use other innovative financing mechanisms to provide capital for new or expanding businesses in North Dakota or relocating businesses to North Dakota. A board of directors consisting of eight members, all of whom are appointed by the governor, manages the corporation. The deputy director of the Department of Commerce (a State agency) is the corporation's chief executive officer. The director of the Department of Commerce (governor-appointed cabinet position) is responsible for developing rules, subject to the approval of the board of directors, necessary to implement the administration of the corporation. The Fund was audited by other independent auditors for the fiscal year ended

# STATE OF NORTH DAKOTA

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June 30, 2015, and their report has been previously issued under a separate cover.

## **State Historical Society of North Dakota Foundation**

– The mission of the State Historical Society of North Dakota Foundation is to provide fundraising and membership development activities to support the State Historical Society of North Dakota and its people. The Fund of the State Historical Society of North Dakota Foundation were audited by other independent auditors for the fiscal year ended June 30, 2015, and their report has been previously issued under a separate cover.

**Major and Non-major University System Foundations (Proprietary Fund Type)** – The foundations are legally separate, tax-exempt organizations providing support and recognition to the respective colleges and universities through a variety of programs and activities. The foundations are normally managed by a board of directors made up primarily of alumni, friends or leading members of the communities. The component unit financial statements are presented under Financial Accounting Standards Board (FASB) standards. As such, certain disclosures are not reflected for the Major University System Foundation in the major component unit disclosures and no disclosures are included for the Non-major University System Foundation. A complete set of financial statements can be obtained at the North Dakota University System office at 600 E. Boulevard Avenue, #10, Bismarck, ND 58505.

Complete financial statements for each of the other individual component units may be obtained at the entity's administrative offices as follows:

Building Authority  
600 E. Boulevard Ave., 14<sup>th</sup> Floor  
Bismarck, ND 58505-0840

Comprehensive Health Association  
4510 13<sup>th</sup> Avenue South  
Fargo, ND 58121

Public Finance Authority  
1200 Memorial Highway  
Bismarck, ND 58504

North Dakota Development Fund, Inc.  
1833 E. Bismarck Expressway  
Bismarck, ND 58504

State Historical Society of North Dakota Foundation  
P.O. Box 1976  
Bismarck, ND 58502

## **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

### **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

The Statement of Net Position and Statement of Activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are distinguished between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The Statement of Net Position presents the reporting entity's non-fiduciary assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

**Net investment in capital assets** consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.

**Restricted net position** result when constraints placed on net position use are either externally imposed by creditors, grantors, contributors, and the like, or imposed by law through constitutional provisions or enabling legislation. Net position restricted by enabling legislation are subject to change by a majority vote of the Legislative Assembly.

**Unrestricted net position** consist of net position that do not meet the definition of the two preceding categories. Unrestricted net position often are designated, to indicate that management does not consider them to be available for general operations. Unrestricted net position often have constraints on resources which are imposed by management, but can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable within a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue.

# STATE OF NORTH DAKOTA

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## FUND FINANCIAL STATEMENTS

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column.

### **C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION**

#### MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The government-wide statements are reported using the economic resources management focus and the accrual basis of accounting, as are the proprietary and fiduciary fund (agency funds are excluded as they have no measurement focus) financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of cash flows.

The State follows the pronouncements of the Governmental Accounting Standards Board (GASB), which is the nationally accepted standard-setting body for establishing accounting principles generally accepted in the United States of America for governmental entities.

Governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as they become susceptible to accrual; generally when they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period.

The State considers tax revenues to be available if they are collected within 60 days of the end of the current fiscal year end. Other revenues are considered to be available if received within one year after the fiscal year end. Major revenues that are determined to be susceptible to accrual include interest, federal grants-in-aid, and taxpayer-assessed taxes such as income, sales, corporate, excise, motor fuel taxes and unemployment compensation contributions. Revenues earned under the terms of reimbursement agreements with other governments or private sources are recorded at the time the related expenditures are made if other eligibility requirements have been met. Sales and use taxes are accrued based upon filings received and an estimate of filings due by June 30. Net income taxes from individuals and corporations are accrued based on current income earned by the taxpayer before June 30. Quarterly filings, withholding statements, and other historical data are used to estimate income. The revenue

is accrued net of an allowance for uncollectible taxes. Deferred revenue is recorded for receivables that are measurable but not available at year-end.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, compensated absences, and claims and judgments, are recorded only when payment is due and payable.

## FINANCIAL STATEMENT PRESENTATION

The State reports the following major governmental funds:

The General Fund is the principal operating fund of the State.

The Federal Fund accounts for all the financial resources from the federal government.

The State Special Revenue Fund accounts for activities from state sources, which are restricted legally or administratively for the particular costs of an agency or program.

The State reports the following major enterprise funds:

The Bank of North Dakota Fund finances economic development throughout the state, participates in loans with North Dakota financial institutions, and holds interest-bearing deposit accounts for state and political subdivisions of North Dakota.

The Housing Finance Agency Fund is authorized to issue bonds to make loans to mortgage lenders for qualified residential mortgage loans and to make mortgage and construction loans for multi-family housing within the State of North Dakota.

The University System Fund accounts for all financial transactions of the colleges and universities that compose the University System of North Dakota.

The Workforce Safety & Insurance Fund is financed entirely by premiums assessed to the employers of North Dakota and provides no-fault medical and disability insurance to all North Dakota employees.

Additionally, the State reports the following fund types:

## GOVERNMENTAL FUND TYPES

General Fund accounts for all governmental financial resources, except for those required to be accounted for in other funds.

Special Revenue Funds are used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects.

# STATE OF NORTH DAKOTA

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Debt Service Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for principal and interest.

Capital Projects Funds are used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. Capital project funds exclude those types of capital related outflows financed by proprietary funds or for assets that will be held in trust for individuals, private organizations, or other governments.

Permanent Funds report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that benefit the government or its citizenry, such as the common schools within the state.

## PROPRIETARY FUND TYPES

Enterprise Funds account for those business-like State activities that provide goods/services to the public, financed primarily through user charges. They are also used to account for operations where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability and other purposes. The State's loan programs, Mill and Elevator, and Fair are reported in this type.

Internal Service Funds account for the financing of goods and/or services provided by one department or agency to another department or agency of a government, or to other governments, on a cost-reimbursement basis. These goods and services include motor pool services; printing, reproduction and mailing services; information technology; and risk management services. In the government-wide statements, internal service funds are included with governmental activities.

## FIDUCIARY FUND TYPES

Pension and Other Employee Benefits Trust Funds account for resources that are required to be held in trust for the members and beneficiaries of the State's defined benefit pension plans, defined contribution plan, deferred compensation plan, flexcomp plan, and other post-employment benefit plans.

Investment Trust Funds account for the transactions, assets, liabilities, and fund equity of the external pool participants (City of Bismarck, ND Association of Counties, and City of Fargo Fargodome Retirement and Investment Office Investments). The State Investment Board (SIB) provides administrative services for the external pool participants. SIB issues a publicly available financial report that may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58503. Investment Trust Funds are accounted for in essentially the same manner as Proprietary Funds.

Private Purpose Trust Funds account for resources of all other trust arrangements in which principal and income benefit individuals, private organizations, or other governments. Examples include student donations, the State's college savings plan, and a remediation trust.

Agency Funds account for assets held by the State as an agent for other governmental units, or other organizations, and do not involve measurement of results of operations.

## **D. GENERAL BUDGETARY POLICIES AND PROCEDURES**

The State operates through a biennial appropriation that represents departmental appropriations recommended by the governor and presented to the Legislative Assembly at the beginning of each legislative session. The Legislative Assembly enacts the budgets of the various state departments through passage of specific appropriation bills. The governor has line item veto powers over all appropriations subject to legislative override.

Once passed and signed, the appropriation bill becomes the departments' financial plan for the next two years. Changes to the appropriation are limited to Emergency Commission authorization, initiative, allotment, or referendum action. The Emergency Commission can authorize receipt of federal or other moneys not appropriated by the Assembly if the Assembly did not indicate intent to reject the money. The Emergency Commission may authorize pass-through federal funds from one state agency to another. The Emergency Commission may authorize the transfer of expenditure authority between appropriated line items. The Legislature has also passed appropriation laws that authorize directors of certain state agencies to transfer appropriation authority among the various divisions of their specific agency, subject to the Budget Section of the North Dakota Legislative Council's approval. Unexpended appropriations lapse at the end of each biennium, except certain capital expenditures covered under the North Dakota Century Code (NDCC) section 54-44.1-11 and the University System's unexpended general fund appropriation authority.

The State's biennial budget is prepared primarily on a cash basis. The State does not use encumbrance accounting. The legal level of budgetary control is at the agency, appropriation, funding source and expenditure line item level, with administrative controls established at lower levels of detail in certain instances. The State does not formally budget revenues, and it does not budget by fund. The State appropriation is defined through the use of specific expenditure line items. Capital appropriations are generally made at the agency and project level.

North Dakota's Appropriation Act does not present budgets by GAAP fund. Instead, it authorizes General Fund appropriation authority by agency and Other Budgeted Income appropriation authority by agency.

# STATE OF NORTH DAKOTA

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Other budgeted income includes all budgeted resources, other than the General Fund, and includes some governmental, proprietary, and fiduciary fund activities.

During the 2013-2015 biennium, there were general, federal and other funds supplemental appropriations totaling \$498,327,735.

## **E. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents for reporting purposes includes cash and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near their maturity that they present insignificant risk of changes in value because of changes in interest rates. This includes investments with original maturity of three months or less. Also cash, as reported, may be under the control of the State Treasurer or by other administrative bodies as determined by law. Cash and cash equivalents are presented on the fund balance sheets as "Cash Deposits at the Bank of North Dakota" and "Cash and Cash Equivalents" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other state agencies.

**Cash Deposits at the Bank of North Dakota.** State agency cash balances, as required by law, are pooled by the State Treasurer and deposited in the Bank of North Dakota, an enterprise fund. These cash balances, in addition to other agency cash deposited at the Bank of North Dakota, are included on the fund balance sheets as "Cash Deposits at the Bank of North Dakota". For purposes of the Government-wide Statement of Net Position, these amounts have been reclassified to internal balances.

**Cash and Cash Equivalents.** All cash and cash equivalents, (other than cash deposits at the Bank of North Dakota), as permitted by the North Dakota Century Code, are included on the Government-wide Statement of Net Position as "Cash and Cash Equivalents".

The State had no cash overdrafts from pooled cash and investments at June 30, 2015.

All interest revenue is allocated to the General Fund unless state law (as outlined in the North Dakota Century Code) requires allocations of interest to other funds.

## **F. INVESTMENTS**

All funds of the State record their investments in accordance with Government Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments*. Investments are reported at fair value. Quoted market prices, when available, have been used to value investments. The fair value for securities that have no quoted market price represent estimated fair value. Many factors are

considered in arriving at that value. International securities are valued based upon quoted foreign market prices and translated into U.S. dollars at the exchange rate in effect at June 30. In general, corporate debt securities have been valued at quoted market prices or, if not available, values are based on yields currently available on comparable securities of issuers with similar credit ratings. Mortgages have been valued on the basis of their future principal and interest payments discounted at prevailing interest rates for similar instruments. The fair value of real estate investment securities, including timberland, is based on appraisals plus fiscal year-to-date capital transactions. Publicly traded alternative investments are valued based on quoted market prices. When not readily available, alternative investment securities are valued using current estimates of fair value from the investment manager. Such valuations consider variables such as financial performance of the issuer, comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, withdrawal restrictions, and other pertinent information. Because of the inherent uncertainty of the valuation for these other alternative investments, the estimated fair value may differ from the values that would have been used had a ready market existed. The net change in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment sold.

Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are currently accounted for on a trade date basis. Interest income is recorded when earned. Dividend income is recorded on the ex-dividend date. All investments are maintained separately by fund.

Purchases of other state funds' debt issues by the Bank of North Dakota have been recorded as normal business transactions if they are the result of arms-length transactions.

Investments are presented on the fund balance sheets as "Investments at the Bank of North Dakota" and "Investments" to present the unique nature of the relationship between the Bank of North Dakota, an enterprise fund, and other state agencies.

**Investments at the Bank of North Dakota.** State agency investments, primarily certificates of deposits of the Bank of North Dakota, are included on the fund balance sheets as "Investments at the Bank of North Dakota." For purposes of the Government-wide Statement of Net Position, these amounts have been reclassified to internal balances.

**Investments.** State agency investments invested at financial institutions other than the Bank of North Dakota are included on the Government-wide Statement of Net Position as "Investments."

# STATE OF NORTH DAKOTA

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Differences on the Fund Balance Sheets between the assets, "Cash at the Bank of North Dakota" and "Investments at the Bank of North Dakota," and the liability, "Deposits Held for Other Funds," is attributable to timing differences resulting from the Bank of North Dakota having a different fiscal year end than many of the other state agencies.

## **G. SECURITIES LENDING**

GASB Statement No. 28 "Accounting and Financial Reporting for Securities Lending Transactions," establishes accounting and financial reporting standards for securities lending transactions. The standard requires governmental entities to report securities lent as assets in their balance sheets. Cash received as collateral and investments made with that cash must also be reported as both an asset and a liability. The statement also requires the costs of the securities lending transactions to be reported as expenses separately from income received. In addition, the statement requires disclosures about the transactions and collateral related to them.

The Agent lends securities of the type on loan at June 30, 2015, for collateral in the form of cash or other securities at 102% of the loaned securities fair value plus accrued interest for domestic securities and 105% of the loaned securities fair value plus accrued interest for international securities. The collateral for the loans is maintained at 100% per the contractual requirements. As of June 30, 2015, the State has no credit risk exposure to borrowers because the amounts the State owes the borrowers exceed the amounts the borrowers owe the State.

The Average Duration of the collateral investments as of June 30, 2015, was one day. The Average Weighted Maturity of collateral investments as of June 30, 2015, was 125 days. The interest rate sensitivity (duration) of the securities on loan had an interest sensitivity of 37 days.

There were no violations of legal or contractual provisions, no borrower or lending agent default losses known to the securities lending agent. There are no dividends or coupon payments owing on the securities lent. Securities lending earnings are credited to participating clients on approximately the fifteenth day of the following month.

Indemnification deals with the situation in which a client's securities are not returned due to the insolvency of a borrower and the Agent has failed to live up to its contractual responsibilities relating to the lending of those securities. The Agent's responsibilities include performing appropriate borrower and collateral investment credit analyses, demanding adequate types and levels of collateral, and complying with applicable Department of Labor and Federal Financial Institutions Examination Council regulations concerning securities lending.

The State cannot pledge or sell collateral securities received unless the borrower defaults.

## **H. INTERFUND ACTIVITY AND BALANCES**

### INTERFUND ACTIVITY

As a general rule, the effect of interfund activity has been eliminated from the government-wide statements. Exceptions to this rule are: 1) activities between funds reported as governmental activities and funds reported as business-type activities and 2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

In the fund financial statements, transfers represent flows of assets (such as goods or cash) without equivalent flows of assets in return or a requirement for repayment. Residual transfer amounts exist in the Government-wide Statement of Activities due to different fiscal year ends of various agencies included in business-type activities.

### INTERFUND BALANCES

Interfund receivables and payables have been eliminated from the Statement of Net Position, except for the residual amounts due between governmental and business-type activities.

## **I. INVENTORIES AND PREPAID ITEMS**

Inventories of Governmental Funds are valued at cost and are recognized principally using the average cost method. Generally, the cost of Governmental Funds' inventories is recorded as an expenditure when consumed rather than when purchased.

Inventories of Proprietary Funds consist primarily of grain inventories from the North Dakota Mill and Elevator Association. Grain inventories are valued at the June 30 Minneapolis grain market values less freight costs to Minneapolis. Grain committed to production is valued at cost, and grain committed to sale is valued at net commitment price. Flour, feed and resale inventories are valued at ingredient cost plus manufacturing costs incurred in their production. Proprietary Funds expense the cost of consumable supplies when used.

Generally, inventories of University System Funds are valued at the lower of cost or fair market value. Cost is generally determined on the first in/first out, or moving weighted average method. Inventories consist of food, books, and other merchandise held for resale in auxiliaries and unrestricted physical plant supplies.

Prepaid items reflect payments for costs applicable to future accounting periods.

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Other government fund inventories and prepaid items are reflected as a reservation of fund balance on the balance sheet.

## **J. BOND PREMIUMS / DISCOUNTS**

Bond premiums and discounts for proprietary fund types are deferred and amortized over the term of the bonds using the bonds outstanding method, which approximates the effective interest method. The unamortized discount is shown on the balance sheet as a reduction of the bonds payable, and the amortization is included in the statement of revenues, expenses and changes in fund balance as interest expense.

## **K. CAPITAL ASSETS**

Capital assets, which include land, buildings, equipment, intangibles (software, easements and other), construction in progress and infrastructure assets, are valued at historical cost or at estimated historical cost if actual historical cost is not available. Donated capital assets are valued at their estimated fair market value on the date of donation. Where necessary, estimates of original cost are derived by factoring price levels from the current period to the time of acquisition. Library books are not capitalized as capital assets except for the University System.

All other capital assets with an original cost of \$5,000 or more per unit and an estimated useful life in excess of one year are capitalized and reported in the applicable government or business-type activities columns in the government-wide financial statements. Exceptions include: infrastructure reported by the Department of Transportation, the threshold is \$100,000; intangible assets such as easements, water rights, patents and trademarks, the threshold is \$25,000; and software internally developed, the threshold is \$50,000. Capital asset costs include the purchase price or construction cost, plus the costs necessary to place the asset in its intended location and condition for use. In governmental activities, interest costs on self-constructed assets are not capitalized. In business-type activities, interest costs (if material) on self-constructed assets are also included in the cost. The amount of interest to be capitalized is calculated by offsetting interest expense incurred from the date of the borrowing until completion of the project with interest earned on invested proceeds over the same period. Capitalized interest is amortized on the straight-line basis over the estimated useful life of the asset. Normal maintenance and repair costs that do not materially add to the value or extend the life of the asset are not capitalized.

Collections of works of art and historical treasures are not capitalized if the following three criteria are met: (1) Held for public exhibition, education, or research in furtherance of public service, rather than financial gain; (2) Protected, kept unencumbered, cared for, and preserved; (3) Subject to organizational policy that

requires the proceeds from sales of collection items to be used to acquire other items for collections. The State's non-capitalized collections include the historical artifacts at the various state museums and historical sites, and monuments and other art throughout the capital grounds. Assets that do not meet all three criteria, or that were capitalized as of June 30, 1999, are capitalized and included in the government-wide financial statements.

Infrastructure consists of major statewide public systems and items attached thereto such as freeways, freeway lighting systems, freeway drainage systems, freeway signs, bridges, bridge lighting systems, and sewer systems, including those infrastructure assets acquired prior to June 30, 1980. Infrastructure is reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The Department of Transportation uses the first-in first-out method to remove the capitalized cost of a replaced road along with corresponding accumulated depreciation.

Fixed assets in Governmental Funds are recorded as expenditures in the funds used to acquire or construct them in the governmental fund financial statements. Capital assets, along with accumulated depreciation and depreciation expense, which includes amortization of intangible assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

Land and construction in progress are not depreciated. With the exception of infrastructure reported by the Department of Transportation (which uses the composite method), other capital assets are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	10-50
Infrastructure	10-50
Furniture, Automobiles, and Equipment	3-20
Intangibles	3-99

## **L. DEFERRED OUTFLOWS OF RESOURCES**

Deferred outflow of resources represents a consumption of net position by the government that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred outflows of resources are reported in the applicable governmental or business-type activities columns, or in the component units column on the government-wide Statement of Net Position.

## **M. LEASE COMMITMENTS**

The State leases land, office facilities, office and computer equipment, and other assets. Leases are

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classified according to GASB 62. Many of these leases have fiscal funding clauses; however, these clauses have no effect on classifying these leases for accounting purposes. Leases which represent acquisitions are classified as capital leases, and the related assets and liabilities are recorded in the financial statements at the inception of the lease. Other leases are classified as operating leases with the lease payments recorded as expenditures or expenses during the life of the lease.

## **N. FEDERAL FUNDS PURCHASED**

Federal Funds Purchased represent federal funds borrowed by the Bank of North Dakota from member banks generally on an overnight basis at the federal funds rate.

## **O. CLAIMS/JUDGMENTS PAYABLE**

Claims/Judgments Payable is primarily Workers Compensation Claims Incurred But Not Yet Reported (IBNR) by the claimants as well as claims related to various litigation matters.

## **P. COMPENSATED ABSENCES**

### ANNUAL LEAVE

State employees accrue vested annual leave at a variable rate based on years of service. Teachers employed by the State do not receive annual leave. In general, accrued annual leave cannot exceed 30 days at each year end, as set by the agency. The amount of annual leave earned ranges between one and two days per month, and is fixed by the employing unit per section 54-06-14 of the NDCC.

The governmental fund financial statements recognize annual leave when the liability is incurred and payable from available expendable resources. This normally occurs only if an employee has unused reimbursable leave still outstanding at the time of their retirement or resignation. The government-wide financial statements present the cost of accumulated annual leave as a liability. Proprietary and Fiduciary Funds recognize the expense and accrued liability when the annual leave is earned.

### SICK LEAVE

The North Dakota Century Code, section 54-06-14, states employees accrue sick leave at the rate of one to a maximum of one and one-half working days per month of employment without limitation on the amount that can be accumulated. Employees vest at ten years of creditable service, at which time the State is liable for ten percent of the employee's accumulated unused sick leave. The governmental fund financial statements recognize sick leave as it is incurred. The government-wide financial statements present the estimated cost of sick leave as a liability after an employee has been employed by the State for five consecutive years.

## **Q. DEPOSITS**

The following two liability line items are presented in the Government-wide Statement of Net Position and/or fund financial statements:

**Deposits Held For Other Funds.** "Deposits Held for Other Funds" are those deposits held by the Bank of North Dakota for other funds included in the reporting entity and shown on the fund financial statements. For purposes of the Government-wide Statement of Net Position, these amounts have been reclassified to internal balances.

**Other Deposits.** "Other Deposits" are those deposits held by the Bank of North Dakota for non-reporting entity third parties. It also includes deposits held for students of the University System.

Differences on the fund balance sheets between the liability "Deposits Held for Other Funds" and the assets "Cash Deposits and Investments at the Bank of North Dakota" are attributable to timing differences resulting from the Bank of North Dakota having a different accounting year end than many other state agencies.

## **R. REVENUES AND EXPENDITURES/EXPENSES**

In the Government-wide Statement of Activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function for governmental activities (e.g., general government, education, health and human services, etc.). Additionally, revenues are classified between program and general revenues. Program revenues include 1) charges to customers or applicants for goods or services, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as general revenues, rather than as program revenue. General revenues include all taxes. Certain indirect costs are included in the program expenses reported for individual functions.

In the government-wide financial statements, revenues are reported by source and are further classified as either "general purpose" or "restricted". General purpose revenues are available to fund any activity accounted for in the fund. Restricted revenues are, either by State law or by outside restriction (e.g., federal grants), available only for specified purposes. When both general purpose and restricted funds are available for use, it is the State's policy to use restricted resources first. In the governmental fund financial statements, expenditures are reported by character: "Current," "Intergovernmental-revenue Sharing," "Capital Outlay," or "Debt Service." Current expenditures are sub-classified by function and are for items such as salaries, grants, supplies, and services.

Capital outlay includes expenditures for real property or infrastructure (e.g., highways). Intergovernmental-

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revenue sharing accounts for the distribution of certain tax revenues that are shared with local units based upon constitutional and statutory requirements. Debt service includes both interest and principal outlays related to bonds and payments on capitalized leases.

Revenues and expenses of proprietary funds are classified as operating or nonoperating and are sub classified by object (e.g., salaries, depreciation, and purchases for resale). Operating revenues consist of sales of goods and services, quasi-external operating transactions with other funds, grant revenues for specific activities that are considered to be operating activities of the grantor, receipts from other agencies for reimbursement of operating transactions, and other miscellaneous revenue that should be classified as operating. Grants that would qualify as an operating activity are those that do not subsidize an existing program, rather they finance a program the agency would otherwise not undertake. For certain loan and investment programs, revenue that would normally be classified as non-operating should be classified as operating. Examples of this would include interest and investment income. All other revenues that do not meet the above criteria should be classified as non-operating.

## **S. PENSIONS**

For purposes of measuring the net pension liability and deferred outflows/inflows related to pension, and pension expense, information about the fiduciary net position of the North Dakota Public Employee Retirement System (PERS) and additions to / deductions from PERS's fiduciary net position have been determined on the same basis as they are reported for PERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. The primary government's proportionate share of pension amounts were further reallocated to proprietary funds (business-type activities) based on the amount of employer contributions paid by each proprietary fund. Pension investments are reported at fair value.

## **T. DEFERRED INFLOWS OF RESOURCES**

Deferred inflows of resources represent an acquisition of net position that applies to a future period, and so will not be recognized as an inflow of resources (revenue) until that time. Deferred inflows of resources are reported in the applicable governmental or business-type activities columns or in the component units column on the government-wide Statement of Net Position. Deferred inflows of resources of governmental funds, proprietary fund, and discrete component

units are reported in detail in their respective fund statements.

## **U. NET POSITION/FUND BALANCE**

The difference between fund assets and liabilities is "Net Position" on the government-wide, proprietary, and fiduciary fund statements, and "Fund Balance" on governmental fund statements.

### CLASSIFICATIONS

Fund balance classifications for governmental funds are reported in two general classifications, nonspendable and spendable. Nonspendable represents the portion of fund balance that is not in spendable form such as inventories and prepaids. Spendable fund balance is further categorized as restricted, committed, assigned, and unassigned.

The restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by the State constitution and external parties, such as the federal government, or through enabling legislation.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority, the state's legislature, through legislation, that is not considered as enabling legislation, passed into law.

The assigned fund balance classifications are used when the amounts are to be used for specific purposes but do not meet the criteria to be classified as restricted or committed. The assignment of fund balance is generally initiated by the executive branch and later appropriated by the Legislature for a specific purpose. In governmental funds other than the general fund, assigned fund balance also represents the remaining amount that is not restricted or committed.

The unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications. In other funds, the unassigned classification would only be used to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed, or assigned.

The State generally segregates restricted, committed, and assigned resources by individual funds within the governmental funds. When resources meeting more than one of these classifications are comingled within an individual fund, the assumed order of spending is restricted first, committed second, assigned third, and finally, unassigned.

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## BUDGET STABILIZATION FUND

North Dakota Century Code (NDCC) section 54-27.2-02 requires any amount in the state general fund in excess of sixty-five million dollars at the end of any biennium to be deposited in the Budget Stabilization Fund. Any interest or earnings of the fund must be deposited in the fund per NDCC section 54-27.2-01. However, any amounts provided by law for deposit in the fund and any interest or earning of the fund which would bring the balance in the fund to an amount greater than nine and half percent of the current biennial state general fund budget, as finally approved by the most recently adjourned special or regular session of the legislative assembly, may not be deposited or retained in the fund but must be deposited instead in the state general fund.

NDCC section 54-27.2-03 states that if general fund revenue projections for the biennium will be at least two and one-half percent less than estimated by the most recently adjourned special or regular session of the legislative assembly, and if the governor orders a transfer, which must be reported to the budget section of the legislative management, the state treasurer shall transfer the appropriate funds from the budget stabilization fund to the state general fund to offset the decrease in general fund revenues. The amount transferred upon order of the governor may not exceed the difference between an amount two and on-half percent below the general fund revenue projections for the biennium. The Budget Stabilization Fund, fund balance at June 30, 2015 was \$574,012,127. Based on past experiences in utilization of the fund, the fund is not expected to be expended in the foreseeable future.

## NOTE 2 – RESTATEMENTS

The following changes to beginning net position as previously reported, is summarized in the following table (expressed in thousands):

	Government-wide Gov't activities	Business-type activities	Component Units (GASB Based)
June 30, 2014, net position, as previously reported	\$ 14,588,667	\$ 2,731,980	\$ 455,825
Prior period adjustment:			
GASB 68 and 71 adjustment			
Governmental activities	(271,143)	-	-
Bank of North Dakota	-	(7,523)	-
Housing Finance	-	(1,632)	-
University System	-	(72,361)	-
Workforce Safety and Insurance	-	(6,416)	-
Other Enterprise Funds	-	(7,374)	-
Component unit – North Dakota	-	-	(136)
Public Finance Authority	-	-	-
Correction of errors	542,971	13,538	-
June 30, 2015, net position, as restated	<u>\$ 14,860,495</u>	<u>\$ 2,650,212</u>	<u>\$ 455,689</u>

### **A. CORRECTION OF ERRORS**

The beginning net position of the Government-wide Governmental Activities were restated due to an under (over) statement in the following accounts on the previous year financial statements.

Accounts Receivable	\$ 3,619
Interest receivable	1,985
Prepaid items	861
Nondepreciable capital assets - construction in process*	537,804
Accounts payable	(1,298)
Total correction of errors	<u>\$ 542,971</u>

\*Construction in process was restated to properly recognize capital asset payments made in prior years.

The beginning net position of the Government-wide Business Activities were restated \$13,776,964 due to an understatement of capital assets and an overstatement

of due from component unit of \$239,357 on the previous year financial statements. The understatement of capital assets was a result of erroneously using the incorrect number of year to depreciate capital assets over.

### **B. GASB 68 & 71 ADJUSTMENT**

The State implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and GAS Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*.

These Statements established standards for measuring and recognizing liabilities, assets, deferred inflows of resources and expense/expenditures for pensions provided to employees of the primary government and component units. It requires the State to record the State's proportionate share of the net pension liability in the government-wide financial statements and in the

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proprietary funds and component units financial statements.

The cumulative effect of implementing GASB Statement No. 68 for Governmental Activities was an increase in pension assets of \$22,712 million, an increase in deferred outflows of \$27,855 million and an increase in net pension liability of \$321,710 million on the Statement of Net Position and a net decrease in net position of \$271,143 million on Statement of Activities.

The cumulative effect of implementing GASB Statement No. 68 for Business-Type Activities was an increase in deferred outflows of \$11,237 million and an increase in net pension liability of \$106,543 million on the Statement of Net Position and a net decrease in net position of \$95,306 million on Statement of Activities.

The cumulative effect of implementing GASB Statement No. 68 for the component unit was an increase in net pension liability of \$136 million on the Statement of Net Position and a net decrease in net position of \$136 million on Statement of Activities.

See note 6 for further information on pension reporting.

## **NOTE 3 - DETAILED NOTES ON ACCOUNT BALANCES**

### **A. DEPOSITS**

#### **CUSTODIAL CREDIT RISK**

The State minimizes custodial credit risk by restrictions set forth in state statute. Custodial credit risk is risk associated with the failure of a depository financial institution. In the event of a depository financial institution's failure the State would not be able to recover its deposits or collateralized securities that are in the possession of the outside parties.

State law generally requires that all State funds be deposited in the Bank of North Dakota. NDCC 21-04-01 provides that public funds belonging to or in the custody of the State shall be deposited in the Bank of North Dakota. Also, NDCC 6-09-07 states, "all state funds . . . must be deposited in the Bank of North Dakota" or must be deposited in accordance with constitutional and statutory provisions. The State does not have a formal policy that addresses custodial credit risk for deposits.

At June 30, 2015, the bank balance of the primary government's deposits was \$265,035,037. Of the bank amount, \$162,081,652 was uncollateralized and uninsured.

There were significant concentrations of uninsured and uncollateralized deposits in the Bank of North Dakota and University System at June 30, 2015. Their uninsured and uncollateralized deposits totaled \$144.4 million and \$17.7 million, and their bank deposits totaled \$145.5 million and \$20.2 million, respectively.

At June 30, 2015, the bank balance of the major component units' deposits was \$61,795,747. Of the bank amount, \$53,617,123 was uncollateralized and uninsured.

The internal receivable amount in the governmental activities column in the Statement of Net Position includes Cash and Investments at the Bank of North Dakota for governmental activities. The internal payable amount in the business-type activities column includes deposits the Bank has for governmental activities. Because the Bank has a different fiscal year end, these internal balances do not equal.

### **B. INVESTMENTS**

The investment policies of the State of North Dakota are governed by NDCC 6-09-07, 15-10-12, and 21-04-02, indicating that all public funds must be deposited in the Bank of North Dakota unless there are other constitutional or statutory provisions. If there are no statutory provisions and the funds are invested outside the Bank of North Dakota, the state agency must have the permission of the North Dakota Industrial Commission.

Investments are generally managed by the State Investment Board, the North Dakota Department of Trust Lands, the Bank of North Dakota, and the North Dakota State Treasurer's Office. Management responsibilities and investment instruments as authorized by statute are as follows:

1. State Investment Board (SIB) – NDCC 21-10 designates the SIB with investment responsibilities for the Public Employees' Retirement System, Bonding Fund, Teachers' Fund for Retirement, Fire and Tornado Fund, Workforce Safety & Insurance Fund, and other specific funds. The Century Code states the SIB shall apply the prudent investor rule in investing funds under its supervision. The retirement funds belonging to the teachers' fund for retirement and the public employees' retirement system must be invested exclusively for the benefit of their members and in accordance with the respective funds' investment goals and objectives.

The State Investment Board's investment policy allows investment managers to use derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative investments. The SIB had four types of derivative securities at June 30, 2015: futures, options, swaps and currency forwards.

2. North Dakota Department of Trust Lands – The Century Code states that the Department of Trust Lands shall apply the prudent investor rule in investing its funds. The investment policies of the Board allow the use of derivative securities to

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hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative investments.

3. The Bank of North Dakota – NDCC 6-09 authorizes the Bank of North Dakota. The Bank is owned and operated by the State of North Dakota under the supervision of the North Dakota Industrial Commission. The Bank may have investments in anything that any bank lawfully may do, except what is restricted by NDCC 6-09.
4. The North Dakota State Treasurer's Office – The North Dakota Constitution and various sections of the Century Code authorize the State Treasurer to invest all State funds deposited with the State Treasury. However, the State Treasurer must invest the public funds with the Bank of North Dakota unless there is statutory authority to do otherwise. Generally, the State Treasurer pools deposits and invests in money market accounts and Bank of North Dakota certificates of deposit.
5. University System – NDCC 15-55-05 and 15-55-06 govern the investment of proceeds of revenue bonds and revenues pledged to bondholders. Such proceeds must be invested in the Bank of North Dakota, in a separate fund in the State Treasury or in a duly authorized depository for the state funds that is a member of the FDIC. NDUS may invest such funds in direct obligation of, or in obligations where the United States of America guarantees the principal and interest, or obligations of the State of North Dakota or any municipality as defined in NDCC Section 21-03-01.

Agency investments, of the primary government, under management of the State Investment Board are included below with the Pension and Investment Trust funds.

### INTEREST RATE RISK

Interest rate risk is the risk that changes in interest rates of debt securities will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. The State does not have a formal investment policy that limits investment maturities as a means of managing its exposure to potential fair value losses arising from future changes in interest rates. However, North Dakota Housing Finance's respective bond resolutions permit only investments that will not adversely affect the rating quality of the outstanding bonds. Also, the maturity date or the date on which such investment obligations may be redeemed shall coincide as nearly as practicable with the date or dates on which moneys in the funds or accounts for which the investments were made will be required. The Bank of North Dakota's investment policy provides for a duration range of one to five years, which will serve to decrease interest rate risk.

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At June 30, 2015, the following table shows the debt securities of the primary government by investment type and maturity (expressed in thousands).

### Primary Government (includes Pension and Investment Trust Funds)

Investment Type	Total Market Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Asset Backed Securities	\$ 189,275	\$ 165	\$ 63,023	\$ 21,321	\$ 104,766
Commercial Mortgage-Backed	1,188,566	-	1,034,006	676	153,884
Commercial Paper	9,999	9,999	-	-	-
Corporate Bonds	2,124,848	104,700	964,018	672,258	383,872
Corporate Convertible Bonds	18,159	4,215	8,782	3,355	1,807
Government Agencies	2,509,628	132,534	1,991,433	124,178	261,483
Government Bonds	860,984	17,649	307,036	437,843	98,456
Government Mortgage-Backed	1,026,296	-	18,174	38,542	969,580
Repurchase Agreements	138,070	138,070	-	-	-
Index-Linked Government Bonds	159,986	8,109	-	145,077	6,800
Municipal/Provincial Bonds	44,945	66	17,167	6,463	21,249
Non-Government-Backed CMOs	80,905	-	5,621	4,331	70,953
Short Term Bills and Notes	132,777	132,777	-	-	-
Short Term Investment Funds	196,344	196,344	-	-	-
Pooled Investments	<u>1,845,553</u>	<u>71,470</u>	<u>401,499</u>	<u>913,759</u>	<u>458,825</u>
Total Debt Securities	<u>\$ 10,526,335</u>	<u>\$ 816,098</u>	<u>\$ 4,810,759</u>	<u>\$ 2,367,803</u>	<u>\$ 2,531,675</u>

### Major Component Units

Investment Type	Total Market Value	Less Than 1 Year	1 - 6 Years	6 - 10 Years	More Than 10 Years
Government Bonds	\$ 59,490	\$ 32,333	\$ 27,157	\$ -	\$ -
Commercial Paper	<u>21,485</u>	<u>21,485</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Debt Securities	<u>\$ 80,975</u>	<u>\$ 53,818</u>	<u>\$ 27,157</u>	<u>\$ -</u>	<u>\$ -</u>

The fair values of inflation indexed bonds are reflected in the columns above, based on their stated maturity dates. The principal balances of these bonds are adjusted every six months based on the inflation index for that period.

Some investments are more sensitive to interest rate changes than others. Variable and floating rate collateralized mortgage obligations (CMO's), asset-backed securities (ABS), interest-only and principal-only securities are examples of investments whose fair values may be highly sensitive to interest rate changes.

Interest-only (IO) and principal-only (PO) strips are transactions which involve the separation of the interest and principal components of a security. They are highly sensitive to prepayments by mortgagors, which may result from a decline in interest rates. The State has no policy regarding IO or PO strips.

### CREDIT RISK

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The State does not have an investment policy that specifically addresses credit risk, however the Bank of North Dakota has established a minimum credit quality rating for its investment in debt securities. The State Investment Board maintains a highly diversified portfolio of debt securities encompassing a wide range of credit ratings. Each debt securities manager is given a specific set of guidelines to invest within, based on the mandate for which it was hired. The guidelines specify in which range of credit the manager may invest. These ranges include investment grade and high yield categories. The Bank of North Dakota's investment policy provides minimum credit quality ratings for its investments and asset allocation ranges for investments as a percentage of the total portfolio.



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As of June 30, 2015, the following tables present the debt securities of the primary government and their respective ratings (expressed in thousands).

### Primary Government (includes Pension and Investment Trust Funds) S&P Credit Rating\*

	Total Market Value	AAA	AA	A	BBB
Asset Backed Securities	\$ 188,537	\$ 98,402	\$ 18,259	\$ 22,369	\$ 12,112
Commercial Mortgage-Backed	123,376	65,357	14,429	9,834	6,127
Commercial Paper	9,999	-	-	-	-
Corporate Bonds	2,124,850	2,700	113,437	630,446	1,002,820
Corporate Convertible Bonds	18,159	-	-	1,238	2,789
Government Agencies	2,479,228	2,272,687	100,923	7,084	6,916
Government Bonds	264,593	39,592	16,934	37,323	90,146
Government Mortgage Backed	1,807,393	1,033,195	447,329	-	-
Index Linked Government Bonds	130,815	-	-	-	130,754
Municipal/Provincial Bonds	30,943	5,261	16,933	4,880	3,574
Non-Government Backed CMOs	78,949	9,246	9,764	9,097	5,861
Repurchase Agreements	138,070	-	-	-	-
Short-Term Investment Funds	5,500	-	5,500	-	-
Pooled Investments	<u>2,041,897</u>	<u>99,882</u>	<u>557,304</u>	<u>457,712</u>	<u>309,615</u>
Total Credit Risk Debt Securities	\$ 9,442,309	<u>\$ 3,626,322</u>	<u>\$ 1,300,812</u>	<u>\$ 1,179,983</u>	<u>\$ 1,570,714</u>
US Gov't & Agencies	<u>1,084,115</u>				
Total Debt Securities	<u><u>\$ 10,526,424</u></u>				

### Major Component Units

Commercial Paper	\$ 21,485	\$ -	\$ -	\$ 21,485	\$ -
Total Credit Risk Debt Securities	\$ 21,485	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,485</u>	<u>\$ -</u>
US Gov't & Agencies	<u>59,490</u>				
Total Debt Securities	<u><u>\$ 80,975</u></u>				

\*Majority of debt securities rated by S&P, however some were determined by Moody's, Fitch or manager determined. If no ratings are available, then the investment is classified as not rated.

\*\*US government agency securities explicitly guaranteed by the US government are categorized here. Credit ratings of US government agency securities that are only implicitly guaranteed by the US government are categorized accordingly in the main body of this table. Implicitly guaranteed agency securities included in the *Gov't Issued Commercial & Gov't Mortgage Backed, Gov't Agencies, Non-Gov't Backed CMOs, and Short Term Bills and Notes* categories are issued by FNMA, FDIC, FHLB, FHLMC, FICO, FAMC and Federal Farm Credit.

## STATE OF NORTH DAKOTA

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BB	B	CCC	CC	C	D	Not Rated
\$	\$	\$	\$	\$	\$	\$
3,591	5,043	11,097	2,057	-	592	15,015
6,611	12,310	817	-	-	1,772	6,119
-	-	-	-	-	-	9,999
257,126	94,412	11,739	197	-	91	11,882
5,884	1,340	-	-	-	-	6,908
-	-	-	-	-	-	91,618
13,433	-	283	-	-	-	66,882
-	-	-	-	-	-	326,869
-	-	-	-	-	-	61
295	-	-	-	-	-	-
456	2,612	4,454	2,258	-	4,364	30,837
-	-	-	-	-	-	138,070
-	-	-	-	-	-	-
37,639	188,607	70,769	-	-	-	320,369
<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
\$ 325,035	\$ 304,324	\$ 99,159	\$ 4,512	\$ -	\$ 6,819	\$ 1,024,629

## STATE OF NORTH DAKOTA

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### CONCENTRATION OF CREDIT RISK

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The State does not have an investment policy that specifically addresses concentrations of credit risk in a single issuer, however the Bank of North Dakota has established asset allocation ranges for investments as a percentage of their total portfolio.

The Bank of North Dakota had the following concentrations at June 30, 2015 (expressed in thousands):

	Amount	Percent
<b>Federal Agency</b>		
Federal Home Loan Bank	\$ 615,305	21.0%
Fannie Mae	520,552	17.7%
Freddie Mac	373,909	12.7%
Farm Credit	152,063	5.2%
<b>Mortgage-backed</b>		
Fannie Mae	673,746	23.0%
Freddie Mac	314,673	10.7%
Federal Home Loan Bank stock	34,026	1.2%
Others less than 5%	249,296	8.5%
	<hr/>	<hr/>
	\$ 2,933,570	100.0%

### FOREIGN CURRENCY RISK

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. Although the State Investment Board does not have a formal investment policy governing foreign currency risk, the board does manage its exposure to fair value loss by requiring their international securities investment managers to maintain diversified portfolios to limit foreign currency and security risk. The Department of Trust Lands treats currency exposure in two different ways, depending on the type of investment. For the Board's international equity portfolio, the currency exposure is not hedged, as currency exposure is one of the items that adds diversity to the overall portfolio. For foreign bonds, the Board fully hedges the currency exposure, as the purpose of this portfolio is to generate more consistent returns. The board does not have a formal policy regarding foreign currency risk.

At June 30, 2015, foreign currency risk exposure on investments managed by the Department of Trust Lands and State Investment Board were as follows (expressed in thousands).

## STATE OF NORTH DAKOTA

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### Primary Government (includes Pension and Investment Trust Funds)

Currency	Short-Term	Debt	Equity	Total
Australian dollar	\$ 78	\$ 11,393	\$ 69,341	\$ 80,812
Brazilian real	(392)	8,585	5,569	13,762
British pound sterling	(530)	5,014	291,246	295,730
Canadian dollar	(132)	3,412	30,690	33,970
Chilean peso	9,468	907	195	10,570
Chinese yuan renminbi	1	-	-	1
Czech koruna	9	-	1,015	1,024
Danish krone	-	-	26,268	26,268
Euro	(21,035)	17,372	495,400	491,737
Hong Kong dollar	443	-	68,755	69,198
Hungarian forint	16	5,005	1,036	6,057
Indian rupee	-	7,516	-	7,516
Indonesian rupiah	-	5,935	-	5,935
Israeli shekel	33	-	9,549	9,582
Japanese yen	(1,707)	307	322,415	321,015
Malaysian ringgit	63	3,658	-	3,721
Mexican peso	1,694	25,297	-	26,991
New Zealand dollar	(4,036)	4,380	1,950	2,294
Norwegian krone	4,373	-	18,547	22,920
Peruvian nuevo sol	(7)	-	-	(7)
Philippine peso	-	2,087	-	2,087
Polish zloty	15	2,547	1,967	4,529
Singapore dollar	(463)	(185)	15,933	15,285
South African rand	(44)	5,435	4,067	9,458
South Korean won	(1,269)	5,633	9,471	13,835
Swedish krona	4,223	-	43,825	48,048
Swiss franc	24	-	136,517	136,541
Taiwan dollar	-	-	679	679
Thai baht	239	-	3,952	4,191
Turkish lira	-	-	1,789	1,789
International commingled funds (various currencies)	-	99,367	739,304	838,671
Total international investment securities	\$ (8,936)	\$ 213,665	\$ 2,299,480	\$ 2,504,209

# STATE OF NORTH DAKOTA

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**Derivative Securities** – Derivatives are financial arrangements between two parties whose payments are based on, or “derived” from, the performance of some agreed upon benchmark. The investment policies of the States’ clients allow the use of derivative securities to hedge or replicate underlying exposures but not for speculation. All derivatives are considered investment derivative instruments. The fair value of all derivative securities is reported in the Statements of Net Position. At June 30, 2015, the State had four types of derivative securities: futures, options, swaps and currency forwards.

**Futures** – Futures represent commitments to purchase (asset) or sell (liability) securities at a future date and at a specific price. Futures contracts are traded on organized exchanges (exchange traded) thereby minimizing the States’ counterparty risk. The net change in the futures contracts’ value is settled daily in cash with the exchanges. Net gains or losses resulting from the daily settlements are included in net change in fair value of investments in the Statement of Changes in Net Position and totaled \$43.1 million. At June 30, 2015, the State investment portfolio had the notional futures shown below (expressed in thousands).

Futures	Notional Value
Cash and cash equivalent derivative futures	
Long	\$ -
Short	(1,035,636)
Equity derivative futures	
Long	604,691
Short	-
Fixed income derivative futures	
Long	246,728
Short	(95,736)
Total futures	<u>\$ (279,953)</u>

**Options** – Options represent or give buyers the right, but not the obligation, to buy (call) or sell (put) an asset at a preset price over a specified period. Options are traded on organized exchanges (exchange traded) thereby minimizing the States’ counterparty credit risk. The option’s price is usually a small percentage of the underlying asset’s value. As a seller of a financial option, the State, through its investment manager, receives a premium at the beginning of the agreement and bears the risk of an unfavorable change in the price of the financial instrument underlying the option. As a buyer of a financial option, the State, through its investment manager, pays a premium at the beginning of the agreement and the counterparty bears the risk of an unfavorable change in the price of the financial instrument underlying the option. Gains and losses on options are determined based on fair values and recorded with the net change in fair value of investments in the Statement of Changes in Net Position and totaled \$2.5 million. At June 30, 2015, the State had the following option balances (expressed in thousands):

Options	Fair Value
Cash & Other Options	
Call	\$ (36)
Put	(84)
Fixed Income Options	
Call	(223)
Put	(27)
Total options	<u>\$ (370)</u>

**Swaps** – A swap is a derivative in which counterparties exchange certain benefits of one party’s financial instrument for those of the other party’s financial instrument. Specifically, the two counterparties agree to exchange one stream of cash flows for another stream. The State, through its investment managers, has entered into various swap agreements in an attempt to manage its exposure to interest rate, inflation, credit and currency risk.

Interest rate risk represents the exposure to fair value losses arising from future changes in prevailing market interest rates. In the most common type of interest rate swap arrangement, one party agrees to pay fixed interest payments on designated dates to a counterparty, who in turn agrees to make return interest payments that float with some reference rate.

Inflation risk represents the exposure to fair value losses arising from future changes in prevailing market inflation. In an inflation swap, one party pays a fixed rate on a notional principal amount, while the other party pays a floating rate linked to an inflation index, such as the Consumer Price Index (CPI).

Credit risk represents the exposure to fair value losses arising from a credit event such as default, failure to pay, restructuring or bankruptcy. In a credit default swap (CDS) contract, the protection buyer of the CDS makes a series of payments to the protection seller and, in exchange, receives a payoff if the credit instrument experiences a credit event. CDS contracts are also used to establish exposure to a desired credit instrument.

Currency risk represents the exposure to fair value losses arising from the change in price of one currency against another. A currency swap is a foreign-exchange agreement between two parties to exchange principal and interest in one currency for the same in another currency.

Gains and losses on swaps are determined based on fair values and are recorded with the net change in fair value of investments in the Statement of Changes in Net Position and totaled \$(1.3) thousand. The maximum loss that would be recognized at June 30, 2015, if all counterparties failed to perform as contracted is \$3.25 million. Swap fair values are determined by a third party pricing source. At June 30, 2015, the States’ investment portfolio had the swap fair value balances as shown below (expressed in thousands).

# STATE OF NORTH DAKOTA

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## Credit Default Swaps

Counterparty/Moody's Rating	Notional Amount	Expiration Date	Fair Value
Bank of America/A2 (4 contracts)	\$ (3,700)	9/2015 - 9/2019	\$ 32
Barclays/A2 (5 contracts)	(3,350)	6/2019-9/2019	48
BNP Paribas/A2	(400)	6/2019	(43)
Citibank/A3 (5 contracts)	(13,300)	12/2018 - 12/2019	311
Citigroup Global Markets	(6,500)	12/2018	105
Credit Suisse First Boston/A1 (8 contracts)	(13,200)	6/2020	463
Credit Suisse International/A1	(800)	9/2016	-
Deutsche Bank/A2 (2 contracts)	3,600	12/2016 - 6/2017	(100)
Goldman Sachs/A3 (9 contracts)	(7,342)	9/2015 - 10/2052	(208)
HSBC Bank/A1 (3 contracts)	(4,200)	6/2019 - 9/2019	(26)
JP Morgan Chase/Aa3 (12 contracts)	25,726	11/2016 - 11/2024	(292)
Total credit default swaps	<u>\$ (23,466)</u>		<u>\$ 290</u>

## Currency Swaps

Counterparty/Moody's Rating	Notional Amount	Expiration Date	Fair Value
Deutsche Bank London/A2	\$ 281	5/2017	\$ 46
Goldman Sachs/A3	150	1/2017	3
HSBC Bank USA/A1	500	9/2015	(45)
JP Morgan Chase/Aa3 (5 contracts)	177,287	11/2016 - 11/2024	27
Total currency swaps	<u>\$ 178,218</u>		<u>\$ 31</u>

## Interest Rate Swaps

Counterparty/Moody's Rating	Notional Amount	Expiration Date Range	Fair Value
Bank of America/A2 ( 3 contracts)	\$ 10,529	1/2018 - 1/2021	\$ (64)
Barclays/A2 (3 contracts)	3,325	7/2015 - 12/2032	6
BNP Paribas/A2 (3 contracts)	2,869	1/2021	(12)
Citibank/A3 (9 contracts)	5,826	7/2015 - 12/2032	188
Citigroup Global Markets/A1 (4 contracts)	(5,455)	9/2015 - 8/2020	(90)
Credit Suisse First Boston/A1 (28 contracts)	162,650	6/2016 - 12/2045	(222)
Credit Suisse International/A1 (6 contracts)	(16,944)	6/2018 - 5/2023	(18)
Deutsche Bank/A2 (8 contracts)	163,610	11/2018 - 1/2021	(16)
Goldman Sachs/A3 (3 contracts)	10,671	1/2018 - 4/2024	(8)
HSBC Bank/A1 (9 contracts)	178,144	7/2015 - 9/2033	(22)
JP Morgan Chase/Aa3 (50 contracts)	160,790	9/2015 - 7/2034	771
Morgan Stanley/Baa1 (2 contracts)	7,400	12/2015 - 5/2022	9
Total Interest Rate Swaps	<u>\$ 683,415</u>		<u>\$ 522</u>

## Inflation Swaps

Counterparty/Moody's Rating	Notional Amount	Expiration Date	Fair Value
Bank of America/A2 (9 contracts)	\$ 740	1-2020 - 12/2044	\$ 31
BNP Paribas/A2 (4 contracts)	620	1/2020 - 12/2044	26
Citibank/A3 (4 contracts)	520	3/2020 - 6/2030	4
Credit Suisse International/A1 (3 contracts)	42	11/2044 - 12/2044	3
Goldman Sachs/A3 (11 contracts)	4,430	1/2020 - 1/2030	99
Total Inflation Rate Swaps	<u>\$ 6,352</u>		<u>\$ 163</u>

## STATE OF NORTH DAKOTA

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**Currency Forwards** – Currency forwards represent forward exchange contracts that are entered into in order to manage the exposure to changes in currency exchange rates on the currency denominated portfolio holdings. A forward exchange contract is a commitment to purchase (positive) or sell (negative) a currency at a future date at a negotiated forward rate. The gain or loss

arising from the difference between the original contracts and the closing of such contracts is included in the net change in fair value of investments in the Statement of Changes in Net Position and totaled \$32.5 million. At June 30, 2015, the States' investment portfolio included the currency forwards balances shown below (expressed in thousands).

Currency	Cost	Purchases	Sales	Fair Value
Australian dollar	\$ (23,201)	\$ -	\$ (23,090)	\$ (23,099)
Brazilian real	(5,563)	651	(6,324)	(5,668)
British pound sterling	(724)	36	(760)	(751)
Canadian dollar	(4,198)	49	(4,169)	(4,120)
Chilean peso	9,614	9,614	-	9,468
Euro	(68,876)	6,293	(75,543)	(69,032)
Hungarian forint	(20)	42	(62)	(19)
Indian rupee	6,360	6,572	(212)	6,426
Japanese yen	(3,174)	3,737	(6,911)	(3,199)
Mexican peso	(6,180)	3,744	(9,778)	(6,025)
New Zealand dollar	(11,810)	-	(11,370)	(10,995)
Norwegian krone	4,064	4,064	-	4,027
Peruvian nuevo sol	(7)	-	(7)	(7)
Polish zloty	(7,804)	-	(7,665)	(7,665)
Russian ruble	-	-	-	-
Singapore dollar	(4,475)	-	(4,560)	(4,556)
South African rand	(4,943)	-	(4,938)	(4,931)
South Korean won	(1,632)	170	(1,802)	(1,600)
Swedish krona	4,052	4,052	-	4,220
Turkish lira	(194)	-	(194)	(199)
United Kingdom pound	(23,367)	-	(24,050)	(24,050)
United States dollar	142,078	180,679	(38,600)	<u>142,079</u>
Total forwards subject to currency risk				\$ 304

## STATE OF NORTH DAKOTA

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**Derivative Interest Rate Risk –** Interest rate risk is the risk that changes in interest rates will adversely affect the value of an interest rate-based derivative investment. The State does not have a formal investment policy

regarding such derivative investments. At June 30, 2015, the tables below show the States' derivative investments subject to interest rate risk (expressed in thousands).

	Total Notional Value	3 Months or Less	3 to 6 Months	6 to 12 Months	1-5 Years	Greater Than 5 Years
Futures-interest rate contracts	\$ (884,643)	\$ (797,624)	\$ 144,609	\$ (165,051)	\$ (66,577)	\$ -
Options on interest rate futures	Total Fair Value	3 Months or Less	3 to 6 Months	6 to 12 Months	1-5 Years	Greater Than 5 Years
Options - interest rate contracts	\$ (303)	\$ (257)	\$ (46)	\$ -	\$ -	\$ -
Swaps - interest rate contracts	8	-	-	-	8	-
Total	684	203	(4)	(140)	(468)	1,093
	\$ 389	\$ (54)	\$ (50)	\$ (140)	\$ (460)	\$ 1,093

**Mill and Elevator Derivative Financial Instruments –** The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2015, and the changes in fair value of such derivative instruments for the year then ended as reported in the State's financial statements are \$1,411,163, classified as derivative instrument (one contract equals 5,000 bushels) and \$1,411,163, classified as deferred inflow of resources – accumulated increase in fair value of hedging derivatives. The fair value of the grain futures contracts was determined on the Minneapolis Grain

Exchange. The margin requirement is \$0.60 per bushel, unless the market price changes the limit for two consecutive days, then the margin requirement is \$0.90 per bushel. The Mill has entered into futures contracts for spring wheat to lock in a price for a future delivery or settlement period. These contracts are entered into to protect the Mill against price fluctuation of the commodity. The price protection is needed to cover any long or short positions compared to flour sales.

Futures	Brokerage Firm	Number of Contracts	Average Cost	Fair Value	Effective Date
Sept 2015	ADM Investor Services	(121)	\$5.8962	\$6.3725	June 2015
Sept 2015	RJ O'Brien	(144)	5.9039	6.3725	June 2015
Dec 2015	ADM Investor Services	162	5.8597	6.5150	June 2015
Dec 2015	RJ O'Brien	166	5.8365	6.5150	June 2015
Mar 2016	ADM Investor Services	135	5.9810	6.6225	June 2015
Mar 2016	RJ O'Brien	103	6.0678	6.6225	June 2015
May 2016	ADM Investor Services	23	6.0391	6.6900	June 2015
May 2016	RJ O'Brien	20	5.8938	6.6900	June 2015
July 2016	RJ O'Brien	19	5.9753	6.7075	June 2015

# STATE OF NORTH DAKOTA

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The Mill is exposed to credit risk on hedging derivative instruments that are in asset positions. All grain futures trades are completed using two different national brokerage firms on the Minneapolis Grain Exchange. ADM Investor Services is rated A by the Standard & Poor's Rating Service. RJ O'Brien is a privately held business and is not rated by the Standard & Poor's Rating Service.

The Mill is exposed to rollover risk on grain futures trades whenever the hedge ratio (defined in aggregate of the size across all futures months relative to the underlying net cash position) does not equal 1.0. At June 30, 2015, the table below shows the hedge ratio by futures month going forward:

Period	Hedge Ratio
Sept 2015	1.1
Dec 2015	1.2
Mar 2016	0.9
May 2016	1.0
July 2016	1.0
Net Position	1.0

**Alternative Investments** – The AICPA defines Alternative Investments for the purpose of performing audits. The definition includes investments for which a readily determinable fair value does not exist (that is, investments not listed on national exchanges or over-the-counter markets, or for which quoted market prices are not available from sources such as financial publications, the exchanges, or NASDAQ). These types of investments can be held within any of the asset classes used by the State based on underlying portfolio holdings and analysis of risk and return relationships. These investments can be structured in different ways, including limited partnerships, limited liability companies, common trusts and mutual funds. Some are closed-ended with a specific life and capital commitment while others are open-ended with opportunity for ad hoc contributions or withdrawals and termination upon proper notice.

**Private Equity** - Private Equity investments are typically private interests in corporations across different areas of the capital structure and in different stages of the corporations' development via limited partnership vehicles. Private Equity investments are illiquid and long term in nature (10-12 years), typically held until maturity. Private Equity portfolios generally have a "J-Curve Effect" whereby there are low to negative returns in the initial years due to the payment of investment management fees and initial funding of investments made by the General Partner during a period when investments are typically carried at cost and returns have not been realized. To diversify the program, Private Equity investments are made across business cycles, vintage years, and different strategies. The State has a dedicated asset class for private equity investments.

**Venture Capital** - These include investments in companies in a range of stages of development from start-up/seed stage, early stage, and later/expansion stage. Investments are typically made in years one through six and returns typically occur in years four through ten.

**Buyouts** – These include investments in funds that seek out and purchase underperforming or undervalued companies in order to improve them and sell them or take them public many years later. These funds are also often involved in management buyouts, which are buyouts conducted by the management of the company being purchased, and they often play key roles in leveraged buyouts, which are buyouts that are funded with borrowed money.

**Distressed Debt** - These include investments in the debt instruments of companies which may be publicly traded or privately held that are financially distressed and are either in bankruptcy or likely candidates for bankruptcy. Typical holdings are senior and subordinated debt instruments, mortgages and bank loans. The State includes these types of investments in its private equity asset class.

**Commingled/Mutual Funds** - These types of funds are generally open-ended funds and may be utilized in equities or fixed income asset classes. They are funds made up of underlying securities that have readily available fair values (publicly traded stocks or bonds). The State owns units of these funds rather than the individual securities. Contributions or withdrawals from these fund can be done as needed.

**Mezzanine Debt** - This strategy is a hybrid of debt and equity financing. It is basically debt capital that gives the lender the rights to convert to an ownership or equity interest in the company if the loan is not paid back in time and in full. It is generally subordinated to senior debt. The State utilizes this strategy, through a limited partnership structure, in its below investment grade fixed income allocation.

**Equity Long/Short** - This strategy is a combination of long and short positions, primarily in publicly traded equities. The State utilizes this strategy in its US equity allocations.

**Real Estate and Real "Tangible" Assets** - These investments are intended to provide allocations to tangible assets that are expected to be inflation protected and provide performance above the inflation rate as indicated by the CPI. Investments are generally structured as limited partnerships or limited liability companies. Investments in Real Estate and Real Estate Assets include:

**Real Estate** – includes investments in private vehicles through limited partnerships or commingled vehicles that have an ownership interest in direct real estate properties. The investment strategies may include "value

# STATE OF NORTH DAKOTA

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added" strategies, which derive their return from both income and appreciation, "opportunistic", which derive their return primarily through appreciation, and "alternative" which invest in less traditional types of property. Both domestic and international real estate funds are utilized. The State has a dedicated asset class for these types of investments.

**Timberland** – includes investments in limited liability companies that have an ownership interest in properties where the value of the property is derived mainly from income-producing timber but also from the "higher and better use" value of the underlying land. The State has a dedicated asset class for these types of investments.

## C. SECURITIES LENDING

The following represents the balances relating to the securities lending transactions at June 30, 2015 (expressed in thousands).

Primary Government (Includes Pension and Investment Trust Funds)

Securities Lent	Underlying <u>Securities</u>	Non-Cash <u>Collateral Value</u>	Cash Collateral <u>Investment Value</u>
<b>Lent for cash collateral:</b>			
US agency securities	\$ 6,859	\$ -	\$ 6,996
US government securities	70,700	-	72,195
US corporate fixed income securities	49,957	-	50,998
Global government fixed income securities	12,785	-	13,637
Global corporate fixed	917	-	987
US equities	38,671	-	39,502
<b>Lent for non-cash collateral:</b>			
US agency securities	-	-	-
US government securities	-	-	-
US corporate fixed income securities	-	-	-
US equities	-	-	-
<b>Total</b>	<b>\$ 179,889</b>	<b>\$ -</b>	<b>\$ 184,315</b>

**Infrastructure** – includes investments in limited partnerships that have an ownership interest in transportation assets such as toll roads, tunnels and bridges; and regulated assets such as electricity transmission, gas and oil distribution and wastewater collection. Other possible investments would include communication assets and social infrastructure. The State has a dedicated asset class for these types of investments.

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### **D. ENDOWMENT FUNDS**

The endowment funds reported herein are institutional funds under the terms of the gift instrument and are not wholly expendable by the institution. NDCC Section 59-21, the Uniform Prudent Management of Institutional Funds Act (UPMIFA) applies to the investment of endowments governed by a gift instrument. NDUS SBHE policy 810 stipulates endowment funds shall be invested according to the intent of the donor provided such intent is consistent with applicable laws. Absent terms expressing donor intent in a gift instrument, NDUS institution officers initially shall deposit the funds in institution accounts at the Bank of North Dakota. Thereafter, the funds may be invested according to NDCC 59-21. Subject to the intent of the donor, NDUS institution officers are delegated authority to manage and invest these institutional funds as provided by UPMIFA. NDCC Section 59-21-02.5a(7) applies to standard of conduct in the administration of powers to make and retain investments. It states that in managing and investing an institutional fund, the needs of the institution and the fund to make distributions and to preserve capital must be considered. Given the flexibility in NDCC 59-21-02, campuses have differing policies with respect to spending investment income and net appreciation on endowment funds. For UND, distributions for spending endowments each year will be calculated once annually with the quarter ended December 31 unitized market value and is based on the set spending rate, currently four percent, applied to the average market value for the four preceding quarters of 2013, eight quarter year average in 2014, building to a twelve quarter average which will begin in 2015. All endowment in existence at December 31 for one year will receive a distribution spending allocation. The available amount will be forecast to UND for planning purposes by February 1, and these distributions will be available for spending in the upcoming fiscal year. MaSU, NDSU, VCSU and WSC give departments authority to spend all investment income earned on the endowment funds. Net appreciation on investments are available for expenditure and consist of the following at June 30, 2015:

<u>Reflected in net position as:</u>		
Mayville State University	\$ 3,170	Expendable scholarships & fellowships
North Dakota State University	144,701	Expendable scholarships & fellowships
University of North Dakota	961,946	Non-expendable scholarships & fellowships
Williston State College	2,933	Non-expendable scholarships & fellowships
<b>Total NDUS</b>	<b><u>\$ 1,112,750</u></b>	

Endowment funds reported herein do not include the Federal Land Grant Fund held by the State Land Department. The annual proceeds from assets held by the State Land Commissioner are deposited into each college/university's operating fund at the State Treasury and are used for current operating purposes. Bismarck State College and Lake Region State College do not participate in the proceeds allocated by the State Land Department. Total assets held by the State Land Department and proceeds for the fiscal year ended June 30, 2015 are approximately \$140.8 million and \$2.7 million respectively.

# STATE OF NORTH DAKOTA

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## E. REVERSE REPURCHASE AGREEMENTS

State statutes permit the State to enter into reverse repurchase agreements, that is, the sale of securities with a simultaneous agreement to repurchase them in the future at the same price plus a contract rate of interest. The fair value of the securities underlying reverse repurchase agreements normally exceeds the cash received, providing the dealers a margin against a decline in fair value of the securities. All sales of investments under these agreements are for fixed terms. In investing the proceeds of these agreements, State policy is for the term to maturity of the investment to be the same as the term of the agreement. Such matching existed at year end. These agreements are secured by Fed book-entry securities held in the State's name. At June 30, 2015, the State had no reverse repurchase agreements outstanding and did not participate in reverse repurchase agreements during the fiscal year.

## F. RECEIVABLES

Receivables at June 30, 2015, consist of the following (expressed in thousands):

	General	Federal	State	Other Governmental Funds	Bank of North Dakota	Housing Finance	University System
<b>Receivables:</b>							
Accounts	\$ 15,680	\$ 17,923	\$ 98,057	\$ -	\$ -	\$ 413	\$ 33,127
Less Allowance	(7,116)		(21,300)	-	-	-	(6,062)
Taxes	523,457		128,058	250	-	-	-
Less Allowance	(104,254)		(1,231)	-	-	-	-
Interest	13,521		12,992	134	41,748	2,618	-
Less Allowance	-		(2,278)	-	-	-	-
Intergovernmental	-	198,339	7,231	-	-	170	27,146
Less Allowance	-		(1)	-	-	-	-
Current Loans and Notes	26		166,622	49,808	929,633	16,043	7,410
Less Allowance	-		(2,467)	-	-	-	-
Noncurrent Loans and Notes	25,001		86,527	-	2,873,851	645,512	32,680
Less Allowance	-		-	-	(58,346)	-	(6,298)
Net Receivables	<u>\$ 466,315</u>	<u>\$ 216,262</u>	<u>\$ 472,210</u>	<u>\$ 50,192</u>	<u>\$ 3,786,886</u>	<u>\$ 664,756</u>	<u>\$ 88,003</u>

	Workforce Safety & Insurance	Other Enterprise Funds	Internal Service Funds	Fiduciary Funds	Major Component Units	Total
<b>Receivables:</b>						
Accounts	\$ 61,544	\$ 84,077	\$ 187	\$ 11,257	\$ 1,382	\$ 323,647
Less Allowance	(9,500)	(12,913)	-	-	(22)	(56,913)
Taxes	-	-	-	43,571	-	695,336
Less Allowance	-	-	-	(7,516)	-	(113,001)
Interest	9,591	1,626	49	13,573	4,380	100,232
Less Allowance	-	-	-	-	-	(2,278)
Intergovernmental	-	8,492	872	-	-	242,250
Less Allowance	-	-	-	-	-	(1)
Current Loans and Notes	-	9,050	-	-	4,859	1,183,451
Less Allowance	-	-	-	-	-	(2,467)
Noncurrent Loans and Notes	-	89,719	-	-	8,297	3,761,587
Less Allowance	-	(5,117)	-	-	(4,910)	(74,671)
Net Receivables	<u>\$ 61,635</u>	<u>\$ 174,934</u>	<u>\$ 1,108</u>	<u>\$ 60,885</u>	<u>\$ 13,986</u>	<u>\$ 6,057,172</u>

# STATE OF NORTH DAKOTA

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## G. INTERFUND ACCOUNTS AND TRANSFERS

### DUE FROM OTHER FUNDS/DUE TO OTHER FUNDS

Interfund balances at June 30, 2015, consist of the following (expressed in thousands):

#### Due To General Fund From:

Federal Fund	\$ 63,094
State Fund	31,319
Bank of North Dakota	722
Nonmajor Enterprise Funds	24,431
All Others	14
<b>Total Due To General Fund</b>	<b><u>\$ 119,580</u></b>

Included in the Nonmajor Enterprise Funds amount is a loan to the Rebuilders' Loan Program for \$14,922,350. This is not expected to be repaid within one year.

#### Due To Federal Fund From:

General Fund	\$ 8,937
State Fund	6,237
All Others	5
<b>Total Due To Federal Fund</b>	<b><u>\$ 15,179</u></b>

#### Due To State Fund From:

General Fund	\$ 3,812
Federal Fund	9,760
Internal Service Funds	3,430
Nonmajor Enterprise Funds	50,733
All Others	173
<b>Total Due To State Fund</b>	<b><u>\$ 67,908</u></b>

Included in the Internal Service Funds amount is an advance to Fleet Services from the Highway Fund for \$3,000,000. This is not expected to be repaid within one year.

#### Due To Internal Service Funds From:

General Fund	\$ 5,078
State Fund	1,517
University System	1,248
All Others	1,101
<b>Total Due To Internal Service Funds</b>	<b><u>\$ 8,944</u></b>

#### Due To Bank of North Dakota From:

State Fund	\$ 990
General Fund	1,578
Nonmajor Enterprise Funds	39,913
Housing Finance	21,134
All Others	196
<b>Total Due To Bank of North Dakota</b>	<b><u>\$ 63,811</u></b>

Included in the Nonmajor Enterprise Funds amount is a loan to the Rebuilder's Loan Program for \$25,550,000, of which \$23,382,000 is not expected to be repaid within one year.

#### Due To University System From:

General Fund	\$ 38,049
Federal Fund	2,410
State Fund	895
All Others	414

#### Total Due To University System

**\$ 41,768**

#### Due To All Other Funds From:

All Other	\$ 2,030
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Included in this category are all other enterprise funds and fiduciary funds.

These balances are a result of a time lag between the dates that (1) services are provided and goods received or reimbursable expenditures occur, (2) the payments are made, (3) the transactions are entered into the accounting system, and (4) because of transactions occurring between funds with a fiscal year other than June 30, 2015.

A reconciliation of Due From's and Due To's is presented below (expressed in thousands):

<b>Due From's</b>		
General Fund/Bank of ND		\$ 319,220
Bank of ND/Housing Finance	(227)	
Mill & Elevator/Bank of ND	(11,031)	
Bank of ND/University System	(5,000)	
Bank of ND/Student Loan Trust	1,205	
Bank of ND/Guaranteed Student Loan	(15)	
Governmental Agencies/Bank of ND	1,427	
Bank of ND/Enterprise Funds	632	
<b>Total Differences</b>	<b><u>1,128</u></b>	
<b>Due To's</b>		
	(11,881)	
	<b><u>\$ 307,339</u></b>	

## STATE OF NORTH DAKOTA

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The previous table represents timing differences between agencies as a result of different fiscal year ends. Those agencies with a different fiscal year end include: Bank of North Dakota, December, Guaranteed Student Loan, September, and Nonmajor Enterprise Funds, Beginning Farmer Revolving Loan, Community Water Facility Loan, and Developmentally Disabled Facility Loan, all of which have a December year end and State Fair, September.

### INTERFUND TRANSFERS

A summary of interfund transfers for the fiscal year ended June 30, 2015, follows (expressed in thousands):

	General	Special Revenue Federal	Special Revenue State	Non-major Governmental	Housing Finance	University System	Non-major Enterprise	Total
<b>Transfers Out</b>								
General	\$ -	\$ 71	\$ 549,325	\$ 2,292	\$ 1,494	\$ 556,938	\$ 2,426	\$ 1,112,546
Special Revenue - Federal	8	-	20,954	300	417	-	141	21,820
Special Revenue - State	545,496	78	-	20,734	33	10,083	5,000	581,424
Non-major Governmental	854	-	2,269	-	-	-	-	3,123
Bank of North Dakota	-	-	14,188	-	-	-	3,200	17,388
Housing Finance	-	-	30	-	-	-	-	30
University System	-	-	-	5,327	-	-	-	5,327
Non-major Enterprise	9,509	-	1,492	-	-	-	5,000	16,001
<b>Total</b>	<b>\$ 555,867</b>	<b>\$ 149</b>	<b>\$ 588,258</b>	<b>\$ 28,653</b>	<b>\$ 1,944</b>	<b>\$ 567,021</b>	<b>\$ 15,767</b>	<b>\$ 1,757,659</b>

(Transfers In do not agree to the statements due to the timing differences noted below.)

Transfers are used for the following purposes:

- Move general fund appropriation amounts to certain agencies.
- Move revenues from the fund that statute requires to collect them to the fund authorized to spend them.
- Move certain excess revenues collected in other funds to the general fund.
- Move receipts restricted for debt service from the funds collected to the debt service funds as payments become due, and move capital project funds paying the construction costs.

For the year ended June 30, 2015, legislatively-mandated transfers were made to the general fund of \$6.1 million from the State Lottery, \$3,408,600 from Mill and Elevator and \$5,445,434 from the Insurance Regulatory Trust Fund.

A reconciliation of Transfers In and Transfers Out is presented below (expressed in thousands):

<b>Transfers In</b>	\$ 1,750,925
Differences:	
Bank of ND/Ag PACE	(400)
Bank of ND/PACE	3,700
Bank of ND/Community Water Facility Loan Fund	(5,000)
Bank of ND	(25)
Guaranteed Student Loan Program	(5,000)
Special Rev – State/State Fair	(7)
Federal	(2)
Total Differences	<u>(6,734)</u>
<b>Transfers Out</b>	<u>\$ 1,757,659</u>

The above timing differences of \$6,734,000 result from transactions between agencies that have different fiscal year ends. Those agencies with a different fiscal year end include: Bank of North Dakota, December, and Nonmajor Enterprise Fund State Fair, September, Guaranteed Student Loan Program. This difference is also the total net transfers on the Government-wide Statement of Activities.

# STATE OF NORTH DAKOTA

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## H. CAPITAL ASSETS

### PRIMARY GOVERNMENT:

The following is a summary of capital assets during the fiscal year (expressed in thousands):

<u>Description</u>	Balance			<u>Balance</u> <u>June 30, 2015</u>
	<u>July 1, 2014</u>	<u>Restated*</u>	<u>Increases</u>	
<b>Governmental Activities:</b>				
Capital Assets Not Being Depreciated				
Land	\$ 132,263	\$ 5,869	\$ -	\$ 138,132
Construction in Progress	1,336,417	548,910	(253,646)	1,631,681
Total Capital Assets Not Being Depreciated	1,468,680	554,779	(253,646)	1,769,813
Capital Assets Being Depreciated:				
Buildings and Improvements	601,615	54,845	(968)	655,492
Equipment	285,109	41,421	(17,067)	309,463
Intangibles				
Software	91,360	10,609	(1,617)	100,352
Other	10,992	717	-	11,709
Infrastructure	3,829,668	265,250	(26,619)	4,068,299
Total Capital Assets Being Depreciated	4,818,744	372,842	(46,271)	5,145,315
Less Accumulated Depreciation for:				
Buildings and Improvements	(236,412)	(15,779)	532	(251,659)
Equipment	(138,680)	(21,559)	12,535	(147,704)
Intangibles				
Software	(58,205)	(9,215)	88	(67,332)
Other	(2,575)	(493)	-	(3,068)
Infrastructure	(2,691,382)	(62,650)	24,554	(2,729,478)
Total Accumulated Depreciation	(3,127,254)	(109,696)	37,709	(3,199,241)
Total Capital Assets Being Depreciated, Net	1,691,490	263,146	(23,305)	1,946,074
Governmental Activities Capital Assets, Net	\$ 3,160,170	\$ 817,925	\$ (8,562)	\$ 3,715,887

\*See note 2 for details on restatement.

Infrastructure assets of the State Water Commission, with a carrying value of \$30,516,290 are considered temporarily impaired at June 30, 2015.

# STATE OF NORTH DAKOTA

<u>Description</u>	Balance July 1, 2014 Restated*	Increases	Decreases	Balance June 30, 2015
<b>Business-Type Activities:</b>				
Capital Assets Not Being Depreciated				
Land	\$ 19,169	\$ 1,281	\$ (5)	\$ 20,445
Construction in Progress	89,321	185,725	(45,283)	229,763
<b>Total Capital Assets Not Being Depreciated</b>	<b>108,490</b>	<b>187,006</b>	<b>(45,288)</b>	<b>250,208</b>
Capital Assets Being Depreciated:				
Buildings and Improvements	1,248,224	57,907	(6,234)	1,299,897
Equipment	480,851	29,406	(17,273)	492,984
Intangibles	40,655	938	(222)	41,371
Software	904	-	-	904
Other	194,438	19,926	(4,746)	209,618
<b>Total Capital Assets Being Depreciated</b>	<b>1,965,072</b>	<b>108,177</b>	<b>(28,475)</b>	<b>2,044,774</b>
<b>Less Accumulated Depreciation for:</b>				
Buildings and Improvements	(515,559)	(30,415)	17,352	(528,622)
Equipment	(306,098)	(28,879)	15,218	(319,759)
Intangibles	(28,254)	(2,805)	355	(30,704)
Software	(220)	(143)	-	(363)
Other	(90,694)	(5,447)	2,102	(94,039)
<b>Total Accumulated Depreciation</b>	<b>(940,825)</b>	<b>(67,689)</b>	<b>35,027</b>	<b>(973,487)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>1,024,247</b>	<b>40,488</b>	<b>6,552</b>	<b>1,071,287</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 1,132,737</b>	<b>\$ 227,494</b>	<b>\$ (38,736)</b>	<b>\$ 1,321,495</b>

<u>Description</u>	Balance July 1, 2014 Restated*	Increases	Decreases	Balance June 30, 2015
<b>Major Component Units:</b>				
Capital Assets Not Being Depreciated				
Land	\$ 3,271	\$ 14	-	\$ 3,285
Construction in Progress	377	6,283	-	6,660
<b>Total Capital Assets Not Being Depreciated</b>	<b>3,648</b>	<b>6,297</b>	<b>-</b>	<b>9,945</b>
Capital Assets Being Depreciated:				
Buildings and Improvements	174,535	13,723	(155)	188,103
Equipment	40,689	8,345	(1,400)	47,634
Intangibles	78	-	-	78
Infrastructure	1,168	66	-	1,234
<b>Total Capital Assets Being Depreciated</b>	<b>216,470</b>	<b>22,134</b>	<b>(1,555)</b>	<b>237,049</b>
Less Accumulated Depreciation for:				
Buildings and Improvements	(58,071)	(4,409)	155	(62,325)
Equipment	(17,955)	(3,226)	919	(20,262)
Intangibles	(78)	-	-	(78)
Infrastructure	(605)	(47)	-	(652)
<b>Total Accumulated Depreciation</b>	<b>(76,709)</b>	<b>(7,682)</b>	<b>1,074</b>	<b>(83,317)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>139,761</b>	<b>14,452</b>	<b>(481)</b>	<b>153,732</b>
<b>Major Component Unit Capital Assets, Net</b>	<b>\$ 143,409</b>	<b>\$ 20,749</b>	<b>\$ (481)</b>	<b>\$ 163,677</b>

Beginning capital asset balances were adjusted for certain reclassifications.

# STATE OF NORTH DAKOTA

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Depreciation expense was charged to functions/programs of the primary government as follows (expressed in thousands):

Governmental Activities:			
General Government		\$ 12,026	
Education		855	
Health and Human Services		4,719	
Regulatory		300	
Public Safety & Corrections		13,618	
Agriculture and Commerce		213	
Natural Resources		13,651	
Transportation		64,314	
Total Governmental Activities Depreciation Expense		<u>\$ 109,696</u>	

Construction In Progress is composed of the following (expressed in thousands):

**Project Description:**

Governmental Activities	Amount Authorized	Amount Expended Through June 30, 2015	Balance Authorized
Office of Management and Budget	\$ -	\$ 87	\$ (87)
Office of Attorney General	2,401	941	1,460
Secretary of State	9,116	5,645	3,471
Department of Human Services	140,191	84,136	56,055
Adjutant General	28,344	10,641	17,703
Game and Fish Department	245	-	245
Water Commission	77	22	55
Job Service North Dakota	312	312	-
Department of Transportation	1,941,453	1,529,178	412,275
ND School for the Deaf	75	-	75
Information Technology Department	1,320	720	600
Total Governmental Activities	<u>\$ 2,123,534</u>	<u>\$ 1,631,682</u>	<u>\$ 491,852</u>

Business-Type Activities	Amount Authorized	Amount Expended Through June 30, 2015	Balance Authorized
Mill and Elevator	\$ 38,195	\$ 10,493	\$ 27,702
State Fair Association	4,963	3,378	1,585
University System	393,690	220,887	172,803
Total Business-Type Activities	<u>\$ 436,848</u>	<u>\$ 234,758</u>	<u>\$ 202,090</u>

## **I. OPERATING LEASES**

### **PAYMENTS ON OPERATING LEASES**

The State is obligated under certain leases accounted for as operating leases. Operating leases do not give rise to property rights or lease obligations, and therefore, the resulting expenditures are recognized as incurred. Lease expenditures for the year ended June 30, 2015, amounted to \$17,132,587 for governmental activities and \$14,467,521 for business-type activities.

## STATE OF NORTH DAKOTA

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Future minimum rental payments required under operating leases that have initial or remaining non-cancelable lease terms in excess of one year as of June 30, 2015, for all fund types are as follows (expressed in thousands):

Year Ending June 30	Governmental Activities	Business-type Activities
2016	\$ 10,411	\$ 11,010
2017	8,488	8,615
2018	4,579	5,714
2019	3,939	3,849
2020	3,218	1,884
2021-2025	10,192	1,785
2026-2030	901	473
2031-2035	-	425
Total Minimum Lease Payments	<u>\$ 41,728</u>	<u>\$ 33,755</u>

### J. CAPITAL LEASES

The State is obligated under certain leases accounted for as capital leases. In the government-wide and proprietary fund statements, capital assets and a corresponding liability are recorded at the inception of the lease. The liability is reduced by payments of principal, with a portion of the payment allocated to interest expense. For capital leases in governmental funds, other financing sources and expenditures are recorded at lease inception. Lease payments are recorded as debt service expenditures.

The schedule below lists the future minimum lease payments under these capital leases and the present value of the net minimum lease payments at June 30, 2015 (expressed in thousands):

Year Ending June 30	Governmental Activities	Business- type Activities	Major Component Units
2016	\$ 318	\$ 5,679	\$ 126
2017	210	5,386	126
2018	83	7,044	126
2019	35	4,420	126
2020	10	4,109	127
2021-2025	-	14,340	632
2026-2030	-	6,272	632
2031-2035	-	3,449	442
2036-2040	-	1,233	-
Total Minimum Lease Payments	656	51,932	2,337
Less: Amount Representing Interest	(56)	(10,708)	(788)
Present Value of Future Minimum Lease Payments	<u>\$ 600</u>	<u>\$ 41,224</u>	<u>\$ 1,549</u>

The historical costs of assets acquired under capital leases, and included as capital assets on the government-wide Statement of Net Position at June 30, 2015, is as follows (expressed in thousands):

	Governmental Activities	Business- Type Activities	Major Component Units
Infrastructure	\$ -	\$ 559	\$ -
Buildings	-	55,099	1,979
Intangibles	-	121	-
Equipment	2,124	11,637	-
Less: Accumulated Depreciation	(1,516)	(16,164)	(764)
Total	<u>\$ 608</u>	<u>\$ 51,252</u>	<u>\$ 1,215</u>

# STATE OF NORTH DAKOTA

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## **K. DEFERRED OUTFLOWS OF RESOURCES**

### **FINANCIAL DERIVATIVE INSTRUMENT**

The State enters into interest rate swap agreements to modify interest rates on certain liabilities. The fair values of both hedging derivatives and investment derivatives (if any) are presented on the Statement of Net Position, either as a derivative liability (negative fair value) or as a derivative asset (positive fair value). The change in the total fair value of derivatives that are determined to be effective hedges is recorded as a deferred inflow or outflow of resources on the Statement of Net Position. If a derivative were determined to be an ineffective hedge, it would be classified as an investment derivative, and the change in the total fair value would be presented as part of investment earnings.

### **DEFERRED LOSS ON BOND REFUNDING**

A deferred charge on refunded debts results from the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

## **L. LONG-TERM DEBT**

Debt authorized is generally limited by the state constitution. The Constitution of North Dakota provides that the State may issue or guarantee the payment of bonds, provided that all bonds in excess of \$2 million are: (1) secured by first mortgage upon property and no further indebtedness may be incurred by the State unless evidenced by a bond issue; (2) authorized by law; (3) for a certain purpose; (4) provisioned to pay the interest semiannually; and (5) the principal is paid within 30 years. Additionally, the law authorizing the bond issue must specifically appropriate the provisions to the payment of the principal and interest of the bond.

### **BONDS AND NOTES PAYABLE**

Bonds payable at June 30, 2015, consisted of bonds issued by the State and are accounted for by the respective state agencies in the government-wide financial statements that issued the bonds.

#### **1. REVENUE BONDS**

Current state statutes empower certain state agencies to issue bonds as part of their activities. This debt is not backed by the full faith and credit of the State of North Dakota. The principal and interest on such bonds shall be payable only from the applicable agency's program income.

#### **Primary Government**

##### **Building Authority**

The 2005 Series A Bonds, the 2006 Series A and B Bonds, and the 2010 Series A and B and the 2012

Series A bonds have interest payable semiannually on June 1 and December 1 of each year. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity upon the occurrence of certain events. The bonds are independently secured by the funds, certain mortgaged property, and all rights, titles, and interests of the Building Authority as lessor, including all basic rent payments, investment earnings on the funds and any other income derived by the Building Authority with respect to the lease. Total net revenue pledges for fiscal year 2015 were \$8.2 million. For fiscal year 2015, principal and interest paid by the Authority on the bonds was \$8.2 million. The total principal and interest remaining to be paid as of June 30, 2015, is \$60.0 million payable through December 2024.

All the bond agreements require the establishment and maintenance of reserve funds to be used for debt service payments if amounts in the bond funds are insufficient to make payments. Reserve funds are also required for any positive arbitrage due to the federal government.

##### **Water Commission**

The Water Commission was granted authority to issue bonds to finance various flood control and pipeline projects throughout the state of North Dakota.

Interest is payable semiannually on February 1 and August 1 for the Series 2005 A and 2005 B Serial Bonds. The bonds of each series are subject to optional and/or extraordinary optional redemption prior to maturity at the option of the Water Commission or the occurrence of certain events. All redemption prices are at par plus accrued interest.

Total net revenue pledges for fiscal year 2015 were \$19.8 million. The total principal and interest remaining to be paid on the bonds is \$66.2 million payable through August 1, 2025. For fiscal year 2015, principal and interest paid by the Commission on the bonds was \$29.1 million.

On November 18, 2014, the State Water Commission defeased the outstanding \$13.67 million Water Development Revenue Refunding Bonds, Southwest Pipeline Project, 2007 Series B without issuing refunding bonds. A deposit was made into an irrevocable trust account with an escrow agent to provide for all the future debt service payments. As of June 30, 2015, \$11,085,000 of the 2007 Series B Bonds outstanding are considered defeased and the liability for those 2007 Series B Bonds is not reflected in the State's financial statements.

##### **Department of Transportation**

The North Dakota Department of Transportation (NDDOT) is authorized pursuant to NDCC 24-02, to issue grant and revenue anticipation bonds for the

# STATE OF NORTH DAKOTA

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purpose of financing certain qualified federal aid transportation projects. The Series 2005 Bonds are limited obligations of NDDOT, payable solely from federal transportation funds, pledged state highway funds and other moneys. The Series 2005 Bonds will not be deemed or construed as creating an indebtedness of the State within the meaning of the State Constitution or laws of the State concerning or limiting the creation of indebtedness of the State. The total principal and interest remaining to be paid on the bonds is \$26.6 million payable through June 2020. For the current year principal and interest paid and total net pledged revenues before interest expense were \$5.3 million and \$5.3 million respectively. The funds pledged for the NDDOT 2005 bond issue consist of state funds in the State Highway Fund from the following sources: Highway Tax Distribution Fund, fee and permit revenues, interest revenue and miscellaneous sales of scrap materials and obsolete equipment. The pledged funds do not include any funding deposited into the State Highway Fund from the State General Fund. The proportion of the specific revenue stream pledged was 98.5% in 2015.

Interest on the Series 2005 Bonds is payable on June 1 and December 1, of each year. Bonds maturing on or after June 1, 2016, are subject to redemption prior to maturity at the option of NDDOT, at any time on or after June 1, 2015, at a redemption price equal to 100% of the principal amount plus accrued interest.

## Student Loan Trust

Interest is payable semiannually on June 1 and December 1 of each year. The 2004 Series A Bonds are variable rate bonds. The rate of interest is determined based on the lesser of either the one-month LIBOR plus 0.7% or Federal Home Loan Bank plus 0.7%. The maximum rate of interest is 12% per annum. Details of the terms and provisions of the variable rate bonds are outlined in Section 2.1 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution. Section 2.2 of the Fourth Supplemental Resolution to the State of North Dakota Student Loan Revenue Bonds First General Bond Resolution has deemed these to be Federally Taxable Bonds. The Series 2004 Bonds are subject to redemption prior to maturity at the option of the Commission from any source of funds, in whole or in part, on any date at a redemption price equal to 100% of the principal amount plus accrued interest to date of redemption.

The total principal and interest remaining to be paid on the outstanding bond is \$1.1 million payable through June 2029. For fiscal year 2015, revenue pledged and total principal and interest paid by Student Loan Trust were \$245,000 and \$9,000, respectively.

## Housing Finance

Housing Finance Bonds were issued to provide financing to purchase mortgage loans to finance multifamily

housing projects. The bonds are the direct obligation of the Housing Finance Agency and are secured by the mortgage loans purchased under the applicable resolutions; the revenues, prepayments, insurance and foreclosure proceeds received related to the mortgage loans; and certain funds and accounts established pursuant to the applicable bond resolution.

**Revenues Pledged** – The agency has homeownership bonds outstanding in the amount of \$637.1 million maturing at various times from January 1, 2016 through January 1, 2046. The bonds have been issued to provide financing to purchase mortgage loans. Annual principal and interest payments on the bonds are expected to require 98 percent of net revenues. Principal and interest paid for the current year and total customer net revenues were \$141.4 million and \$18.2 million, respectively. Bond principal was reduced through customer revenues and the refunding of older bonds with proceeds from new bond issues.

Pursuant to the Series Resolutions adopted to date and under the 1994 and 2009 General Resolutions, the revenues generated by the Program Loans (but not the Program Loans themselves) are pledged to secure the Bonds. The Agency is permitted by terms of the General Resolutions to issue Bonds and pledge Revenues pursuant to the Series Resolution which exceed the amount required to meet the obligations of that Series of Bonds. In such event, it is likely that any such Series of bonds would produce excess Revenues which could be available to redeem the related Series of bonds or any other Series of Bonds prior to the state maturities thereof.

## University System

Revenue bonds are limited obligations of the University System. The principal and interest on the bonds are payable generally from the net income of specific auxiliary activities, designated student fees, interest subsidies and debt service reserve funds. These revenues are generally pledged to the payment of bonds in accordance with the specific terms of the specific indenture. Net pledged revenues for fiscal year 2015 were \$19.0 million. Principal and interest paid for the current fiscal year were \$19.2 million, with total remaining principal and interest of \$344.9 million payable through August 2044.

## **Major Component Units**

### Public Finance Authority

The bonds of the Public Finance Authority were issued to provide financing to purchase municipal securities in order to provide local political subdivisions with funds to finance local projects. The bonds are direct obligations of the Public Finance Authority and are secured by municipal securities purchased under the applicable resolutions, interest earnings and certain accounts established pursuant to the applicable bond resolutions.

## STATE OF NORTH DAKOTA

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Net pledged revenues for fiscal year 2015 were \$17.6 million. Principal and interest paid for the current fiscal year were \$13.3 million, with total remaining principal

and interest of \$393.4 million payable through June 2041.

Revenue Bonds outstanding (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/15
<b>Primary Government</b>			
<u>Governmental:</u>			
Building Authority	2016-2030	1.50-6.25	\$ 51,394
Water Commission	2016-2025	4.25-5.00	54,472 <sup>1)</sup>
Department of Transportation	2016-2020	3.00-5.00	23,479
<u>Proprietary:</u>			
Student Loan Trust	6/1/2029	0.86	1,000 <sup>2)</sup>
<u>Housing Finance:</u>			
Homeownership	2016-2046	0.20-5.75	637,155 <sup>2)</sup>
<u>University System:</u>			
VCSU—Valley City	2016-2040	2.80-7.05	5,790
Williston State College	2016-2041	3.00-6.90	8,550
Lake Region State College	2016-2017	3.00-5.125	285
UND—Grand Forks	2016-2045	0.75-5.00	95,666
NDSU—Fargo	2016-2040	1.50-6.50	96,425
NDSCS—Wahpeton	2016-2037	3.76	8,465
MiSU—Minot	2016-2041	2.00-6.60	16,605
MaSU—Mayville	2016-2030	1.55-6.63	4,675
BSC—Bismarck	2016-2033	2.00-4.00	9,470
Total Revenue Bonds Payable— Primary Government			\$ 1,013,431
<b>Major Component Units</b>			
<u>Proprietary:</u>			
Public Finance Authority	2016-2041	0.24-8.25	\$ 296,936
University System Foundation	2018-2038	0.75-5.25	57,003
Total Revenue Bonds Payable— Major Component Units			\$ 353,939

<sup>1)</sup> Approximately \$39 million of the Water Commission's bonds payable is not associated with fixed assets of the State.  
<sup>2)</sup> Entire amount of bonds payable are not associated with fixed assets of the State.

# STATE OF NORTH DAKOTA

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Debt service requirements to maturity on revenue bond issues for the fiscal years ending June 30 are summarized below (expressed in thousands):

**Primary Government:**

<u>Governmental Activities</u>			<u>Business-type Activities</u>		
<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 16,510	\$ 5,517	2016	\$ 24,212	\$ 30,887
2017	15,960	4,795	2017	32,236	30,990
2018	16,695	4,055	2018	30,487	30,246
2019	14,075	3,365	2019	30,886	29,407
2020	14,040	2,731	2020	32,341	28,499
2021-2025	42,620	6,442	2021-2025	150,013	126,335
2026-2030	5,860	327	2026-2030	165,441	97,486
2031-2035	200	6	2031-2035	178,855	63,324
2036-2040	-	-	2036-2040	165,670	30,627
2041-2045	-	-	2041-2045	63,800	4,173
2046-2050	-	-	2046-2050	1,110	18
Bond Premium	3,385	(3,385)	Bond Premium	9,035	(9,035)
Total	<u>\$ 129,345</u>	<u>\$ 23,853</u>	Total	<u>\$ 884,086</u>	<u>\$ 462,957</u>

Major Component Units

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>
2016	\$ 18,771	\$ 12,586
2017	21,439	13,220
2018	26,218	12,465
2019	27,207	11,599
2020	20,747	10,689
2021-2025	81,788	36,904
2026-2030	82,114	23,159
2031-2035	51,848	6,435
2036-2040	7,618	1,029
2041-2045	1,463	65
Bond Premium	14,726	(14,726)
Total	<u>\$ 353,939</u>	<u>\$ 113,425</u>

# STATE OF NORTH DAKOTA

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## 2. NOTES PAYABLE

The following is a schedule of notes payable outstanding at June 30, 2015 (expressed in thousands):

Fund Type/Fund	Maturities	Interest Rates	Balance 6/30/14
<b>Primary Government</b>			
<u>Governmental:</u>			
Department of Transportation	2016-2022	4.18	\$ 1,449
Office of Management and Budget	2016-2022	4.18	2,827
School for the Deaf	2016-2021	4.8408	136
<u>Proprietary:</u>			
Bank of North Dakota	2016-2030	1.12-5.56	644,574
University System	2016-2030	1.75-9.90	21,218
<b>Major Component Units</b>			
University System Foundation	2016-2020	0.00-4.35	12,484

(1) The Bank of North Dakota issued short-term debt to fund loans on a short-term basis.

Debt service requirements to maturity for notes payable for the fiscal years ending June 30 are summarized below (expressed in thousands):

### Primary Government:

<u>Governmental Activities</u>			<u>Business-type Activities</u>		
Fiscal Year	Principal	Interest	Fiscal Year	Principal	Interest
2016	\$ 520	\$ 180	2016	\$ 108,293	\$ 18,111
2017	563	158	2017	8,612	17,831
2018	610	132	2018	8,932	17,532
2019	658	107	2019	89,265	15,814
2020	709	78	2020	49,610	14,371
2021–2025	1,352	67	2021–2025	356,180	37,465
2026–2030	-	-	2026–2030	44,900	3,340
Total	\$ 4,412	\$ 722	Total	\$ 665,792	\$ 124,464

# STATE OF NORTH DAKOTA

## Major Component Units

Fiscal Year	Principal	Interest
2016	\$ 1,867	\$ -
2017	1,660	398
2018	1,407	318
2019	1,162	276
2020	2,901	202
2021–2025	3,080	55
2026–2030	98	78
2031–2035	122	55
2036–2040	152	25
2041–2045	35	1
Total	\$ 12,484	\$ 1,408

## Changes in General Long-Term Liabilities

Changes in Long-Term Liabilities for the year ended June 30, 2015, are summarized as follows (expressed in thousands):

	Beginning Balance Restated	Additions	Reductions	Ending Balance	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Notes Payable	\$ 4,981	\$ -	\$ (569)	\$ 4,412	\$ 520
Bonds Payable	163,031	-	(33,686)	129,345	16,657
Capital Leases Payable	667	252	(319)	600	288
Compensated Absences	45,452	31,272	(30,847)	45,877	3,366
Claims/Judgments Payable	9,376	5,040	(5,562)	8,854	2,144
OPEB Obligation	907	471	(312)	1,066	-
<b>Total Long-Term Liabilities</b>	<b>\$ 224,414</b>	<b>\$ 37,035</b>	<b>\$ (71,295)</b>	<b>\$ 190,154</b>	<b>\$ 22,975</b>
<b>Business-Type Activities:</b>					
Notes Payable	\$ 484,763	\$ 602,500	\$ (421,471)	\$ 665,792	\$ 108,293
Bonds Payable	901,527	158,018	(175,459)	884,086	24,212
Capital Leases Payable	44,774	4,023	(7,573)	41,224	4,170
Intergovernmental Payable	9,580	946	(895)	9,631	473
Compensated Absences	35,630	3,744	(3,335)	36,039	4,475
Dividends Payable	121,733	97,926	(116,604)	103,055	103,055
Claims/Judgments Payable	1,054,713	276,601	(234,073)	1,097,241	132,167
<b>Total Long-Term Liabilities</b>	<b>\$ 2,652,720</b>	<b>\$ 1,143,758</b>	<b>\$ (959,411)</b>	<b>\$ 2,837,068</b>	<b>\$ 376,845</b>
<b>Major Component Units:</b>					
Notes Payable	\$ 6,657	\$ 7,350	\$ (1,523)	\$ 12,484	\$ 1,867
Bonds Payable	334,471	44,790	(25,322)	353,939	21,306
Capital Leases Payable	1,600	-	(51)	1,549	54
Intergovernmental Payable	557	6	(173)	390	26
Compensated Absences	21	10	-	31	31
<b>Total Long-Term Liabilities</b>	<b>\$ 343,306</b>	<b>\$ 52,156</b>	<b>\$ (27,069)</b>	<b>\$ 368,393</b>	<b>\$ 23,284</b>

\*Notes Payable, Bonds Payable, Capital Leases Payable and Intergovernmental Payable includes \$12,483,771, \$57,003,307, \$1,548,706 and \$378,006 respectively, classified as Due to Component Units in the Statement of Net Position for the University System. Of the above amounts, \$1,867,347, \$3,475,997, \$54,024 and \$26,254 are shown as current.

Bonds payable reductions include amortization of premium.

# STATE OF NORTH DAKOTA

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Internal service funds predominately serve the governmental funds. Accordingly, long-term liabilities for them are included as part of the above totals for governmental activities. At year end, \$2,247,700 of internal service fund compensated absences and \$7,696,880 of claims and judgments are included in the above amounts. Other governmental activities compensated absences generally have been liquidated by the General Fund (62%), the Highway Fund (12%), the Federal Fund (15%), and other various funds. Other governmental activities claims and judgments have all been liquidated by the Petroleum Release Compensation Fund.

### 3. REFUNDED DEBT

#### **University System**

##### Bismarck State College

Bismarck State College issued \$3.335 million of Housing & Auxiliary Facilities bonds with an interest rate of 2.74 percent. The bonds were used to recall \$3.335 million of outstanding Series 2005 Housing & Auxiliary Facilities bonds. The bonds were refunded to reduce total debt service payments over the next fifteen years by \$845,589. The economic gain realized as a result of the refunding was \$693,040.

##### North Dakota State University

North Dakota State University issued \$21.195 million Housing & Auxiliary Facilities bonds with an interest rate ranging from 3.0 percent to 5.0 percent. The bonds were used to recall \$16.2 million, \$8.5 million and \$2.3 million of outstanding Series 2005, Series 2006A, Series 2006B Housing & Auxiliary Facilities bonds, respectively. The bonds were refunded to reduce total debt service payments over the next twenty years by \$9.4 million. The economic gain realized as a result of the refunding was \$5,297,981.

#### **M. ARBITRAGE REBATE PAYABLE**

Arbitrage as it applies to government financing refers to the ability of state governments to obtain funds at a tax-exempt rate of interest and to then invest those funds in investments which earn a higher yield, resulting in a profit to the issuer.

The arbitrage rebate rules require that any earnings from the investment of the tax-exempt bond proceeds which exceed the yield on the bonds be remitted to the federal government.

The State has an arbitrage rebate payable to the federal government of approximately \$98,000 at June 30, 2015. These amounts are reported in the Government-wide and Proprietary Fund Type financial statements as an intergovernmental payable.

#### **N. DEFERRED INFLOWS OF RESOURCES**

##### GRANTS RECEIVED PRIOR TO TIME REQUIREMENTS

This amount represents unavailable revenue. The amounts are deferred and recognized as an inflow of resources in the period that the amounts become available

##### INCREASE IN FAIR VALUE OF HEDGING DERIVATIVES

This amount represents the changes in fair value of futures.

#### **NOTE 4 – NET POSITION**

The government-wide Statement of Net Position reports \$6,254,673,532 of restricted net position, of which \$1,428,955,990 is restricted by enabling legislation.

# STATE OF NORTH DAKOTA

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## **NOTE 5 – Major Purpose Presentation**

Fund Balances Classifications and Special Revenue by Purpose – The Governmental Accounting Standards Board, in Statement No. 54, requires presentation of governmental fund balances and special revenue fund revenues by specific purpose. In the basic financial statements, the fund balance classifications are presented in the aggregate. The tables presented below further display the fund balances by major purpose.

### **Federal Special Revenue Fund by Source**

The Federal Special Revenue fund accounts for all the financial resources from the federal government. Below is a summary of the revenues and other financing sources for this fund.

	<u>Total</u>
Intergovernmental	\$ 1,596,314,838
Sales and Services	1,639,419
Royalties and Rents	6,976
Interest and Investment Income	1,951
Miscellaneous	3,614,627
Transfers In	146,807
Total Federal Special Revenue	<u>\$ 1,601,724,618</u>

### **State Special Revenue Fund by Source**

The State Special Revenue fund is used for activities from state sources, which are restricted legally or committed for the particular costs of an agency or program. Below is a summary of the revenues and other financing sources for this fund.

	<u>Total</u>
Individual and Corporate Income Taxes	\$ 1,997,832
Sales and Use Taxes	366,310,920
Oil, Gas, and Coal Taxes	1,770,922,298
Business and Other Taxes	34,429,413
Licenses, Permits and Fees	196,879,900
Intergovernmental	24,929,464
Sales and Services	76,837,582
Royalties and Rents	374,637,098
Fines and Forfeits	20,478,901
Interest and Investment Income	32,061,012
Tobacco Settlement	30,512,364
Commodity Assessments	23,662,092
Miscellaneous	12,389,634
Transfers In	591,533,343
Total State Special Revenue	<u>\$ 3,557,581,853</u>

# STATE OF NORTH DAKOTA

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## Governmental Fund Balance By Purpose

	Special Revenue			Nonmajor Governmental Funds	Total
	General	Federal	State		
<b>Fund Balances:</b>					
Nonspendable					
Inventory	\$ 2,803,312	\$ 10,486,136	\$ 9,508,043	\$ -	\$ 22,797,491
Long – Term Receivables	25,158,896	-	86,390,080	-	11,548,976
Prepaid Expenditures	2,643,490	1,713,376	4,828,199	-	9,185,065
Legal Requirements	3,435,327,785	-	-	-	3,435,327,785
Permanent Trust Fund	-	-	-	67,050,990	67,050,990
Total Nonspendable	<u>3,465,933,483</u>	<u>12,199,512</u>	<u>100,726,322</u>	<u>67,050,990</u>	<u>3,645,910,307</u>
Restricted for:					
State Education Aid	-	-	617,625,443	-	617,625,443
Distribution to Common Schools	-	-	3,642,517,853	-	3,642,517,853
Federal Programs	-	297,267	-	-	297,267
Health & Human Services	-	-	2,648,193	-	2,648,193
Judicial & Legal	-	-	170,117	-	170,117
Public Safety & Corrections	-	-	1,770,209	-	1,770,209
Agriculture & Commerce	-	-	33,925,620	-	33,925,620
Highway Projects	-	-	983,954,294	-	983,954,294
Transportation	-	-	26,963,793	-	26,963,793
Debt Services	-	-	-	14,164,548	14,164,548
Strategic Investments & Improvements	-	-	17,881,832	-	17,881,832
Other	-	-	693,048,229	2,141,000	695,189,229
Total Restricted	<u>-</u>	<u>297,267</u>	<u>6,020,505,583</u>	<u>16,305,548</u>	<u>6,037,108,398</u>
Committed to:					
Tobacco Prevention	-	-	55,254,421	-	55,254,421
Judicial & Legal	-	-	9,333,674	-	9,333,674
Public Safety & Corrections	75,906,871	-	1,112,531	-	77,019,402
Agriculture & Commerce	20,879,259	-	16,534,703	-	37,413,962
Strategic Investments & Improvements	-	-	891,491,395	-	891,491,395
Property Tax Relief	657,000,000	-	-	-	657,000,000
Stabilization	574,012,127	-	-	-	574,012,127
Other	5,007,201	-	256,399,488	320,350	261,727,039
Total Committed	<u>1,332,805,458</u>	<u>-</u>	<u>1,230,126,212</u>	<u>320,350</u>	<u>2,563,252,020</u>
Unassigned	<u>1,061,519,282</u>	<u>-</u>	<u>(8,477,525)</u>	<u>-</u>	<u>1,053,041,757</u>
Total Fund Balances	<u>\$ 5,860,258,223</u>	<u>\$ 12,496,779</u>	<u>\$ 7,342,880,592</u>	<u>\$ 83,676,888</u>	<u>\$ 13,299,312,482</u>

# STATE OF NORTH DAKOTA

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## **NOTE 6 – RETIREMENT SYSTEMS**

### **A. DESCRIPTION OF PLANS**

The State of North Dakota administers four major retirement systems: North Dakota Public Employees' Retirement System, North Dakota Highway Patrolmen's Retirement System, Retirement Plan for the Employees of Job Service North Dakota and the Teachers' Fund for Retirement. The State also administers the North Dakota Defined Contribution Retirement Plan, which was established January 1, 2000. These retirement systems have implemented Governmental Accounting Standards Boards Statements No. 67, *Financial Reporting for Pension Plans – an amendment of GASB Statement No. 25*, Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Certain state employees may also participate in a privately administered retirement system: Teachers' Insurance Annuity Association. The following is a brief description of each plan. More detailed information can be found in the plan agreements and the related legislation.

### **NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (PERS)**

The North Dakota Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan covering substantially all employees of the State of North Dakota, its agencies, and various participating political subdivisions (Main System). It also covers Supreme and district court judges, the National Guard Security Officers and Firefighters, and as of August 1, 2003, peace officers and correctional officers employed by political subdivisions. Effective August 1, 2015, current and newly eligible members of the National Guard System will transfer to the Law Enforcement System. It is not subject to the provisions of the Employee Retirement Security Act of 1974. PERS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

At June 30, 2015, the number of participating political subdivisions in PERS was:

Cities and Park Districts	88
Counties	49
School Districts	122
Other	74
<b>Total Participating Local Political Subdivisions</b>	<b>333</b>

### **Administration**

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of PERS. Benefit and contribution provisions are adminis-

tered in accordance with chapter 54-52 of the North Dakota Century Code.

Responsibility for administration of the three defined benefit pension plans is assigned to a Board comprised of nine members. The Board consists of a Chairman, who is appointed by the Governor; one member appointed by the Attorney General; one member appointed by the State Health Officer; three members elected by the active membership of the NDPERS system; and one member elected by the retired public employees. Effective July 1, 2105, the board was expanded to include two members of the legislative assembly appointed by the chairman of the legislative management.

The costs of administering the three defined benefit pension plans are financed through the contributions and investment earnings of each plan.

### **Benefits**

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Members are entitled to unreduced monthly pension benefits beginning when the sum of age and years of credited service equals or exceeds 85 (Rule of 85), or at normal retirement age (65). For members hired on or after January 1, 2016 the Rule of 85 will be replaced with the Rule of 90 with a minimum age of 60. The annual pension benefit is equal to 2.00% of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of service. The plan permits early retirement at ages 55-64, with three or more years of service for the Main System. Supreme and district court judges are entitled to unreduced monthly pension benefits beginning at the normal retirement age (65) or Rule of 85. The monthly pension benefit for Supreme and district court judges is equal to a percentage of average monthly salary using the highest 36 consecutive months out of the last 180 months of service. The percentage is equal to 3.5% of final average monthly salary multiplied by the first 10 years of service, plus 2.80% of the average monthly salary times the second 10 years of service, plus 1.25% of average monthly salary times years of service in excess of 20 years. The judicial retirement formula is only applied to eligible judicial service. Non-judicial service benefits are calculated using the 2.00% multiplier. The plan permits early retirement at ages 55-64, with five or more years of service for supreme and district court judges. The monthly pension benefit for National Guard at normal retirement age (55). Effective August 1, 2015, the National Guard System will become part of the Law Enforcement System. Members of the Law Enforcement are entitled to unreduced monthly pension benefits at normal retirement age (55) or the rule of 85. The monthly pension benefit for the National Guard/Law Enforcement is equal to 2.00 percent of their average monthly salary, using the highest 36 months out of the last 180 months of service, for each year of

# STATE OF NORTH DAKOTA

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service. The plan permits early retirement at ages 50-55 with three or more years of service for members.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the employee's accumulated contributions plus interest.

## **Death and Disability Benefits**

Death and disability benefits are set by statute. If an active employee dies with less than three years of service for the Main System and National Guard/Law Enforcement, or less than five years of service for Supreme and district court judges, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than three years of service for the Main System and National Guard/Law Enforcement, the surviving spouse will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50% of the employee's accrued normal retirement benefit, or monthly payments in an amount equal to the employees' accrued 100% joint and survivor retirement benefit if the member had reached normal retirement age prior to date of death. If the surviving spouse dies before the employee's accumulated pension benefits are paid, the balance will be payable to the surviving spouse's designated beneficiary.

For judges only, the death benefit is changed to the greater of (i) lump sum payment of accumulated contributions, and (ii) 100% of the member's accrued benefit (not reduced on account of age), payable for the spouse's lifetime.

Eligible employees who become totally disabled after a minimum of 180 days of service receive monthly disability benefits that are equal to 25% of their final average salary with a minimum benefit of \$100. To qualify under this section, the employee has to become disabled during the period of eligible employment and apply for benefits within one year of termination. The definition for "disabled" is set by the Board in the North Dakota Administrative Code.

For Judges only, the disability benefit formula is changed to 70% of final average salary minus social security and workers compensation benefits.

## **Contributions**

Contribution rates are set by state statute and are a percentage of salaries and wages.

In 2011, the Legislative Assembly passed an increase in the employee and employer contribution rates for the PERS, Judges and Law Enforcement plans. Both the employee and employer contribution rates increased for each of the plans by an additional 1% (.5% for the Law Enforcement Plans for political subdivisions) effective January 2012 and January 2013. The 2013 Legislative Assembly also passed an increase in the employee and employer contribution rates for the PERS, Judges, National Guard and Law Enforcement plans. Effective January 2014, both the employee and employer contribution rates were increased for each of the plans by an additional 1% (.5% for the National Guard and Law Enforcement Plans for political subdivisions).

Member contributions are set by state statute and are a percentage of salaries and wages. During the 1983-1985 biennium, the State implemented the employer pickup provision of the IRS code, whereby a portion or all of the required member contributions are made by the employer. The State is paying 4% of the full member contribution. Some of the political subdivisions are paying all or part of the member contributions. Employer contributions are set by statute except the contribution rates for the National Guard/Law Enforcement Plans which are set by the Board. Contribution rates are established as a percent of covered compensation as follows:

	<u>Member Contributions</u>	<u>Employer Contributions</u>
PERS	7.00%	7.12%
Judges Retirement System	8.00%	17.52%
National Guard Retirement System*	4.50%	7.00%
Law Enforcement with previous service		
State	6.00%	10.31%
Political subdivisions	5.00%	10.31%
Law Enforcement without previous service	5.00%	7.93%

\*Effective August 1, 2015, the National Guard System will be moved under the Law Enforcement System with previous service. The member contribution rate for the National Guard members will be 6.00% and the employer rate will be 9.81%.

Except for Supreme and district court judges, the member's account balance includes the vested employer contributions equal to the members contributions to an eligible deferred compensation plan.

The minimum member contribution is \$25, and the maximum may not exceed certain parameters based upon years of service. Currently, the present rate of contributions for the PERS and Law Enforcement without previous service plans are not sufficient to meet the actuarially determined requirement for 2015-2016.

# STATE OF NORTH DAKOTA

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## NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

The North Dakota Highway Patrolmen's Retirement System is a single-employer defined benefit pension plan covering substantially all sworn officers of the Highway Patrol of the State of North Dakota. It is not subject to the provisions of the Employee Retirement Income Security Act of 1974. NDHPRS issues a publicly available financial report that may be obtained by writing to North Dakota Public Employees Retirement System, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

### **Administration**

The North Dakota Retirement Board was created by the State Legislature and is the governing authority of NDHPRS. Benefit and contribution provisions are administered in accordance with chapter 39-03 of the North Dakota Century Code.

### **Benefits**

Pension benefits are set by statute. The System has no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees are entitled to unreduced pension benefits after a minimum of 10 years of service upon attainment of age 55 or when the sum of age and years of credited service equals or exceeds 80. The annual pension benefit is equal to a percentage of average monthly salary using the highest 36 months out of the last 180 months of service. The percentage is equal to the sum of the first 25 years of service multiplied by 3.60% and 1.75% multiplied by years of service in excess of 25, if any. The plan permits early retirement at ages 50-54, with ten or more years of service.

Members may elect to receive the pension benefits in the form of a single life, joint and survivor, term-certain annuity, or partial lump sum with ongoing annuity. Members may elect to receive the value of their accumulated contributions, plus interest, as a lump sum distribution upon retirement or termination, or they may elect to receive their benefits in the form of an annuity. For each member electing an annuity, total payment will not be less than the members' accumulated contributions plus interest.

### **Death and Disability Benefits**

Death and disability benefits are set by statute. If an active employee dies with less than 10 years of credited service, a death benefit equal to the value of the employee's accumulated contributions, plus interest, is paid to the employee's beneficiary. If the employee has earned more than 10 years of credited service, the surviving spouse, if any, will be entitled to a single payment refund, life-time monthly payments in an amount equal to 50 percent of the employee's accrued normal retirement benefit. If the surviving spouse dies before the

employee's accumulated pension benefits are paid, the balance will be payable to any designated beneficiary.

Eligible employees who become totally disabled after a minimum of 180 days service receive monthly disability benefits that are up to 70 percent of their final average salary, reduced by workers compensation with a minimum benefit of \$100. To qualify under this section, the employee must meet the criteria established by the Retirement Board for being considered totally disabled and apply for benefits within one year of termination.

### **Refunds of Member Contributions**

Upon termination, if an employee is not vested (is not 65 or does not have three years of service for the Main System and National Guard/Law Enforcement, or five years of service for the Supreme and district court judges, credited for PERS, or is not 60 or does not have ten years of service credited for NDHPRS), they will receive the accumulated employee contributions plus interest. If an employee has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If an employee of the PERS terminated and withdrew their accumulated employee contribution and is subsequently re-employed, they have the option of repurchasing their prior service.

### **Contributions**

Contribution rates for NDHPRS are set by state statute and are a percentage of salaries and wages.

In 2011, the Legislative Assembly passed an increase in the employee and employer contribution rates for the Highway Patrol plan. Both the employee and employer contribution rates increased for each of the plans by an additional 1% effective January 2012 and January 2013. The 2013 Legislative Assembly also passed an increase in the employee and employer contribution rates for the Highway Patrol plan. Effective January 2014, both the employee and employer contribution rates were increased for each plan by an additional 1%.

Member and employer contributions are set by statute as a percent of covered compensation. The State is paying 4% of the member contribution. The member contribution rate is 13.3% and the employer rate is 19.7%.

The required contributions are determined using an entry age normal cost method.

## RETIREMENT PLAN FOR THE EMPLOYEES OF JOB SERVICE NORTH DAKOTA (JSND)

The retirement plan for employees of Job Service North Dakota is a single-employer defined benefit public employee retirement plan administered by PERS. The plan is established under NDCC 52-11-01 with benefit provisions established through the plan document, as amended by the Board. This plan document, as

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amended, is authorized by the Plan Administrator, who is the Executive Director of the agency. JSND issues a publicly available financial report that may be obtained by writing to Job Service North Dakota, PO Box 5507, Bismarck, North Dakota 58506-5507.

Participation in the plan is limited to employees participating in the plan as of September 30, 1980.

## Administration

On August 1, 2003, the administrative authority and the net position of the Retirement Plan for Employees of Job Service North Dakota were transferred from the agency to the Public Employees Retirement System Board. This action was based on the passage of House Bill 1064 by the Fifty-eighth Legislative Assembly of North Dakota. The Retirement Plan for Employees of Job Service has an Actuarial Valuation Report produced annually. Requests to obtain or review this report should be addressed to the Executive Director, NDPERS, 400 East Broadway, Suite 505, Bismarck, North Dakota 58501.

## Benefits

Benefits are established through the plan document, as amended by the Board. The System provides a post-retirement cost-of living adjustment each year based on the Consumer Price Index. Employees are entitled to annual pension benefits beginning at normal retirement age (65). Employees may elect optional retirement eligibility at age 62 with 5 years of credited service, at age 60 with 20 years of credited service, or at age 55 with 30 years of credited service. Pension benefits are calculated based on the final average earnings (basic monthly earnings averaged over the highest three consecutive years of basic earnings) of the employee multiplied by the sum of:

- 1.5% times years of credited service up to 5 plus;
- 1.75% times years of credited service between 6 and 10 plus;
- 2.0% times years of credited service in excess of 10.

## Death and Disability Benefits

The plan provides retirement, disability and death benefits. If document the death of a participant occurs prior to their annuity starting date, the surviving spouse who has been married at least two years prior to the participant's death or, if married less than two years is a parent of a child of this marriage, then the spouse shall receive monthly benefits. The amount is the greater of the benefit had the participant retired on the day before they died and elected the Contingent Annuitant Option with 55% of their retirement benefit continued to their spouse or 55% of the smaller of 40% of the deceased participant's average monthly earnings or the deceased participant's normal retirement benefit obtained by increasing their credited service by the period of time between their date of death, and the date they would

have attained age 60. Upon remarriage of the surviving spouse before age 60, the death benefit will cease.

If a participant becomes totally disabled, they will be eligible for a monthly disability benefit which shall be equal to the greater of 40% of the participant's average annual earnings or the accrued benefit determined as of their date of disability.

## Refunds of Member Contributions

Upon termination, if a member of the plan is not vested (is not 65 or does not have three years of service), they will receive the accumulated member contributions and vested employer contributions, plus interest, or may elect to receive this amount at a later date. If the member has vested, they have the option of applying for a refund or can remain as a terminated vested participant. If a member terminated and withdrew their accumulated member contribution and is subsequently reemployed, they have the option of repurchasing their previous service.

The member's account balance includes the vested employer contributions equal to the member's contributions to an eligible deferred compensation plan. The minimum member contribution is \$25 and the maximum may not exceed the following:

- 1 to 12 months of service – Greater of one percent of monthly salary or \$25
- 12 to 25 months of service – Greater of two percent of monthly salary or \$25
- 25 to 36 months of service – Greater of three percent of monthly salary or \$25
- Longer than 36 months of service – Great of four percent of monthly salary or \$25

## Contributions

Contribution rates for the Job Service Retirement Plan are established in the plan document, as amended, which prescribes that they are actuarially determined using the frozen initial liability actuarial cost method which is the same as the aggregate cost method.

The System is funded by employee contributions of 7% of retirement wages (of which 4% is paid by the employer in lieu of salary increases). The funding policy of the plan provides for employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. Benefit and contribution provisions of the JSND are administered in accordance with chapter 52-11 of the North Dakota Century Code. Effective July 1, 1999, the "scheduled contribution" will be zero as long as the Plan's actuarial value of assets exceeds the actuarial present value of projected benefits. The "scheduled contribution" and amortization will be determined when the plan is not in surplus and will be based on a funding policy adopted by the employer.

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## TEACHERS' FUND FOR RETIREMENT (TFFR)

The North Dakota Teachers' Fund for Retirement is a cost-sharing multiple-employer defined benefit pension plan covering all North Dakota public teachers and certain other teachers who meet various membership requirements. TFFR provides for pension, death and disability benefits. The cost to administer the TFFR plan is financed by investment income and contributions.

Teachers' Fund for Retirement issues a publicly available financial report that may be obtained by writing to the Retirement and Investment Office, 1930 Burnt Boat Drive, Bismarck, North Dakota 58503.

At June 30, 2015, the number of participating employer units in TFFR was:

Type	Number
Public School Districts	177
County Superintendents	6
Special Education Units	19
Vocational Education Units	5
Other	9
<b>Total</b>	<b>216</b>

## **Administration**

Responsibility for administration of the TFFR benefits program is assigned to a seven-member Board of Trustees (Board). The Board consists of the State Treasurer, the Superintendent of Public Instruction, and five members appointed by the Governor. The appointed members serve five-year terms which end on June 30 of alternate years. The appointed Board members must include two active teachers, one active school administrator, and two retired members. The Board submits any necessary or desirable changes in statutes relating to the administration of the fund, including benefit terms, to the Legislative Assembly for consideration. The Legislative Assembly has final authority for changes to benefit terms and contributions rates.

## **Benefits**

For purposes of determining pension benefits, members are classified within one of three categories. Tier 1 grandfathered and Tier 1 non-grandfathered members are those with service credit on file as of July 1, 2008. Tier 2 members are those newly employed and returning refunded members on or after July 1, 2008.

**Tier 1 Grandfathered** - A Tier 1 grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and has reached age 65, or the sum of age and years of service equals or exceeds 85.

TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 6% per year for every year the member's retirement age is less than 65 years or the date as of which age plus service equal 85. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest annual salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

**Tier 1 Non-grandfathered** - A Tier 1 non-grandfathered member is entitled to receive unreduced benefits when three or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher, and the member has reached the age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55-64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the three highest salaries earned divided by 36 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

**Tier 2** - A Tier 2 member is entitled to receive unreduced benefits when five or more years of credited service as a teacher in North Dakota have accumulated, the member is no longer employed as a teacher and has reached age 65, or has reached age 60 and the sum of age and years of service credit equals or exceeds 90. TFFR permits early retirement from ages 55 to 64, with benefits actuarially reduced by 8% per year from the earlier of age 60/Rule of 90 or age 65. In either case, benefits may not exceed the maximum benefits specified in Section 415 of the Internal Revenue Code.

Pension benefits paid by TFFR are determined by NDCC Section 15-39.1-10. Monthly benefits under TFFR are equal to the five highest annual salaries earned divided by 60 months and multiplied by 2.00% times the number of service credits earned. Retirees may elect payment of benefits in the form of a single life annuity, 100% or 50% joint and survivor annuity, ten or twenty-

# STATE OF NORTH DAKOTA

year term certain annuity, partial lump-sum option or level income with Social Security benefits. Members may also qualify for benefits calculated under other formulas.

## Death and Disability Benefits

Death benefits may be paid to a member's designated beneficiary. If a member's death occurs before retirement, the benefit options available are determined by the member's vesting status prior to death. If a member's death occurs after retirement, the death benefit received by the beneficiary (if any) is based on the retirement plan the member selected at retirement.

An active member is eligible to receive disability benefits when: (a) a total disability lasting twelve months or more does not allow the continuation of teaching, (b) the member has accumulated one year of credited service in North Dakota, and (c) the Board of Trustees of TFFR has determined eligibility based upon medical evidence. The amount of the disability benefit is computed by the retirement formula in NDCC 15-39.1-10 without consideration of age and uses the member's actual years of credited service. There is no actuarial reduction for reason of disability retirement.

## Contributions

Member and employer contributions paid to TFFR are set by NDCC 15-39.1-09. Every eligible teacher in the state of North Dakota is required to be a member of TFFR and is assessed at a rate of 11.75% of salary as defined by NDCC 15-39.1-04. Every governmental body employing a teacher must also pay into TFFR a sum equal to 12.75% of the teacher's salary. Member and employer contributions will be reduced to 7.75% each when the fund reaches 100% funded ratio on an actuarial basis.

A vested member who terminates covered employment may elect a refund of contributions paid plus 6% or defer payment until eligible for pension benefits. A nonvested member who terminates covered employment must claim a refund of contributions paid before 70%.

## EMPLOYEE MEMBERSHIP DATA

The following table summarizes employee membership information by plan at the actuarial valuation date:

	PERS	NDHPRS	JSND	TFFR
Retirees and beneficiaries currently receiving benefits:	10,060	128	206	8,025
Special prior service retirees:	3	-	-	-
Terminated Employees:				
Vested	4,733	11	1	1,607
Nonvested	4,481	11	-	660

	PERS	NDHPRS	JSND	TFFR
Active Employees:				
Vested	15,645	62	11	7,369
Nonvested	7,200	99	-	3,145
Total plan membership	42,122	311	218	20,806
Date of annual valuation	July 1, 2015	July 1, 2015	July 1, 2014	July 1, 2015

## B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND PLAN ASSET MATTERS

### BASIS OF ACCOUNTING

The public employee retirement systems described above are considered part of the State of North Dakota's reporting entity and are included in the State's financial statements as pension trust funds. The financial statements of these systems are prepared using the accrual basis of accounting. Employee contributions are recognized as revenues in the period in which they are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contribution. Benefits and refunds are recognized when due and payable in accordance with the terms of the plans.

### INVESTMENT POLICY

The System's Board is responsible for establishing the investment policy for the fund assets, which includes setting investment goals and specifying the percentage of assets to be invested in various types of investments. The investment goals are viewed over the long term. The Board recognizes the plans' performance objectives, benefit projections, and capital market expectations when determining the asset allocation. The SIB is responsible for managing the System's investments in accordance with the investment policy. The following was the System's asset allocation policy as of June 30, 2015:

### PERS and NDHPRS

	Target Allocation
Domestic equities	31.0%
International equities	21.0%
Private equity	5.0%
Domestic fixed income	17.0%
International fixed income	5.0%
Global real assets	20.0%
Cash equivalents	1.0%
Total	100.00%

# STATE OF NORTH DAKOTA

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## JSND

	Target Allocation
Domestic equities	31.0%
International equities	9.0%
Domestic fixed income	55.0%
International fixed income	5.0%
Total	100.00%

The TFFR Board is responsible for establishing investment policy for the fund assets under NDCC 15-39.1-05.2. Benefit payments are projected to occur over a long period of time. This allows TFFR to adopt a long-term investment horizon and asset allocation policy for the management of fund assets. Asset allocation policy is critical because it defines the basic risk and return characteristics of the investment portfolio. Asset allocation targets are established using an asset-liability analysis designed to assist the Board in determining an acceptable volatility target for the fund and an optimal asset allocation policy mix. This asset-liability analysis considers both sides of the plan balance sheet, utilizing both quantitative and qualitative inputs, in order to estimate the potential impact of various asset class mixes on key measures of total plan risk, including the resulting established impact of funded status and contribution rates.

## TFFR

	Target Allocation
Global equity*	57.0%
Global fixed income	22.0%
Global real assets	20.0%
Cash equivalents	1.0%
Total	100.00%

\*Private equity is included in the Global Equity asset class.

## INVESTMENT RATE OF RETURN

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. The annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was as follows for June 30, 2015:

PERS	3.61%
NDHPRS	3.66%
JSND	3.41%
TFFR	3.56%

## METHOD USED TO VALUE INVESTMENTS

Investments are recorded at fair value determined by reference to published market data for publicly traded securities and through the use of independent valuation services and appraisals for other investments. The net increase in fair value of investments consists of the realized gains or losses and the unrealized increase or decrease in fair value of investments during the year. Realized gains and losses on sales of investments are computed based on the difference between the sales price and the original cost of the investment. Unrealized increases or decreases are computed based on changes in the fair value of investments between years. Security transactions are accounted for on a trade date basis. Interest income is recognized when earned. Dividend income is recorded on the ex-dividend date.

Investments of PERS and NDHPRS are commingled and invested. Earnings on the investments and expenses relating to administering the plans are allocated to each plan based upon their percentage of ownership or number of participants.

## REALIZED GAINS AND LOSSES

Realized gains and losses on sales of investments are components of net change in fair value of investments and are computed as described in note 1. For the year ended June 30, 2015, the following are the net realized gains (losses):

PERS	\$54,088,390
NDHPRS	1,550,996
JSND	1,681,081
TFFR	47,831,625
Retiree Health Insurance Credit	3,591,925
Defined Contribution	551,276
Deferred Compensation	1,086,833

# STATE OF NORTH DAKOTA

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## C. FUNDING STATUS AND PROGRESS

### NET PENSION LIABILITY OF THE PLANS

The components of the net pension liability of the Plans at June 30, 2015 were as follows:

	PERS	NDHPRS	JSND	TFFR
Total pension liability	\$ 3,052,446,539	\$ 80,112,217	\$ 63,390,014	\$ 3,449,775,982
Plan fiduciary net position	(2,371,710,809)	(66,675,728)	(96,282,892)	(2,141,920,800)
Net pension liability (asset)	<u>\$ 680,735,730</u>	<u>\$ 13,436,489</u>	<u>\$ (32,892,878)</u>	<u>\$ 1,307,855,182</u>

Plan fiduciary net position as a percentage of the total pension liability	77.70%	83.23%	151.89%	62.10%
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### ACTUARIAL ASSUMPTIONS

#### **PERS and HPRS**

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions:

**Inflation** - 3.50%

**Salary Increase (Payroll Growth)** - 4.50% per annum for Highway Patrol, Main System, National Guard and Law Enforcement; 4% per annum for Judges.

**Investment Rate of Return** - 8.00%, net of investments expense, including inflation.

**Mortality Rates** - Mortality rates for active members, inactive members and healthy retirees were based on the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males (no setback for females) multiplied by 125%.

#### **JSND**

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions:

**Inflation** - 3.50%

**Salary Increase (Payroll Growth)** - 5.00% per annum

**Investment Rate of Return** - 7.00%, net of investment expense, including inflation.

**Cost of Living Adjustment** - 3.00 per annum

**Mortality Rates** - Mortality rates for active members, inactive members and healthy retirees were based on

the RP-2000 Combined Healthy Mortality Table, set back two years for males and three years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014. For disabled retirees, mortality rates were based on the RP-2000 Disabled Mortality Table, set back one year for males, (no setback for females) multiplied by 125%.

#### **TFFR**

The total pension liability was determined by an actuarial valuation as of July 1, 2015, using the following actuarial assumptions:

**Inflation** - 2.75%

**Salary Increase (Payroll Growth)** - 4.25% - 14.50%; varying by service, including inflation and productivity.

**Investment Rate of Return** - 7.75%, net of investments expense, including inflation.

**Cost of Living Adjustment** - None

**Mortality Rates** - For active members, mortality rates were based on the RP-2014 Employee Mortality Table, projected generationally using Scale MP-2014. For healthy retirees, mortality rates were based on the RP-2014 Health Annuitant Mortality Table set back one year, multiplied by 50% for ages under 75 and grading up to 100% by age 80, projected generationally using Scale MP-2014. For disabled retirees, mortality rates were based on the RP-2014 Disabled Mortality Table set forward four years.

### INVESTMENT RATE OF RETURN

The long-term expected rate of return on investments was determined using a building-block method in which best-estimates ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates to return by the target asset allocation percentage and by adding expected inflation.

# STATE OF NORTH DAKOTA

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Estimates of arithmetic real rates of return, for each major asset class included in the pension plan's target asset allocation is summarized in the following tables:

## PERS and NDHPRS

### Long-Term Expected Real Rate of Return

Domestic equity	6.90%
International equity	7.55%
Private equity	11.30%
Domestic fixed income	1.55%
International fixed income	0.90%
Global real assets	5.38%
Cash equivalents	0.00%

## JSND

### Long-Term Expected Real Rate of Return

Domestic equities	7.16%
Core fixed income	4.26%
Limited duration fixed income	3.13%
Global equity	7.10%
Diversified short-term fixed income	3.49%
Short-term corporate fixed income	2.48%
US high yield	5.98%
Emerging market debt	7.45%

## TFFR

### Long-Term Expected Real Rate of Return

Global equity	7.50%
Global fixed income	1.30%
Global real assets	5.40%
Cash equivalents	0.00%

### DISCOUNT RATE

The discount rate used to measure the total pension liability was as follows: 8.00% for PERS and NDHPRS, 7.00% for JSND and 7.75% for TFFR. The projection of cash flows used to determine the discount rate assumed plan member and employer contributions will be made at rates equal to those based on the July 1, 2015 Actuarial Valuation Reports. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the services costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on those assumptions (For JSND, it is assumed no future contribution will be made.), the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current plan members as of June 30, 2015. Therefore, the long-term expected rate of return on investments was applied to all periods of projected benefit payments to determine the total pension liability as of June 30, 2015.

### SENSITIVITY OF NET PENSION LIABILITY

The following presents the net pension liability of the Plans as of June 30, 2015, calculated using the discount rate as follows: 8.00% for PERS and NDHPRS, 7.00% for JSND and 7.75% for TFFR, as well as what the Plan's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate

Net Pension Liability (Asset) As of June 30, 2015	1% Decrease (7.00%)	Current Discount Rate (8.00%)	1% Increase (9.00%)
PERS	\$ 1,052,010,116	\$ 680,735,730	\$ 376,867,526
NDHPRS	23,140,230	13,436,489	5,494,139

Net Pension Liability (Asset) As of June 30, 2015	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
JSND	\$ (26,578,200)	\$ (32,892,878)	\$ (38,280,035)

Net Pension Liability (Asset) As of June 30, 2015	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
TFFR	\$ 1,728,392,470	\$ 1,307,855,182	\$ 957,135,967

# STATE OF NORTH DAKOTA

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## D. SINGLE EMPLOYER PENSION PLANS

Below are the changes in net pension liability for the State's (primary government) single-employer plans:

**Single-employer Plans**  
**Changes in Net Pension Liability**  
**Increases (Decreases)**  
**For the Year June 30, 2015\***

	JSND	NDHPRS
<b>Total pension liability (asset)</b>		
Service cost	\$ 87,668	\$ 1,894,183
Interest	5,107,459	5,750,017
Change of benefit terms	-	-
Difference between expected and actual experience	(1,607,033)	(299,964)
Changes of assumptions	-	-
Benefit payments, including refund of employee contributions	(4,594,462)	(3,784,735)
<b>Net change in total pension liability (asset)</b>	<u>(1,006,368)</u>	<u>3,559,501</u>
<b>Total pension liability (asset) - beginning</b>	<u>66,052,801</u>	<u>71,873,400</u>
<b>Total pension liability (asset) - ending (a)</b>	<u>\$ 65,046,433</u>	<u>\$ 75,432,901</u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ -	\$ 1,864,632
Contributions - employee	55,748	1,243,520
Contributions - service credit repurchase	-	87,418
Contributions - other	-	-
Net investment income	11,887,840	9,239,929
Benefit payments, including refund of employee contributions	(4,594,462)	(3,784,735)
Administrative expense	(31,455)	(27,983)
<b>Net change in plan fiduciary net position</b>	<u>7,317,671</u>	<u>8,622,781</u>
Plan fiduciary net position - beginning	<u>90,378,957</u>	<u>57,044,084</u>
Plan fiduciary net position - ending (b)	<u>\$ 97,696,628</u>	<u>\$ 65,666,865</u>
 <b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (32,650,195)</u>	<u>\$ 9,766,036</u>
 Plan fiduciary net position as a percentage of the total pension liability (asset)	150.20%	87.05%
Covered employee payroll	\$ 752,999	\$ 9,318,739
Plan net pension liability (asset) as a percentage of covered employee payroll	-4336.02%	104.80%

\*The 2015 information presented has a measurement date of June 30, 2014.

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## JOB SERVICE NORTH DAKOTA (JSND)

### **Net Pension Asset**

At June 30, 2015, the State recorded a net pension asset of \$32,650,195 for all of the Job Service North Dakota pension plan. The net pension asset was measured as of June 30, 2014 and the total pension asset used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**State of North Dakota**  
**Deferred Outflows and Inflows of Resources**  
**June 30, 2015**  
(Dollars Expressed in Thousands)

	Primary Government	Discrete Component Units		
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -	\$ -	\$ -
Changes of assumptions	- - -	- - -	- - -	- - -
Net difference between projected and actual earnings on pension plan investments	- - -	(3,872,264)	- - -	- - -
Changes in proportion and differences between employer contributions and proportionate share of contributions	- - -	- - -	- - -	- - -
Employer contributions subsequent to the measurement date	28,652	- - -	- - -	- - -
<b>Total</b>	<b>\$ 28,652</b>	<b>\$ (3,872,264)</b>	<b>\$ - - -</b>	<b>\$ - - -</b>

\$28,652 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Year ended June 30:

	Primary Government	Component Units	
2016	\$ (986,066)	\$ -	- - -
2017	(986,066)	- - -	- - -
2018	(986,066)	- - -	- - -
2019	(986,066)	- - -	- - -
2020	- - -	- - -	- - -
Thereafter	- - -	- - -	- - -
<b>Total</b>	<b>\$ (3,872,264)</b>	<b>\$ - - -</b>	<b>- - -</b>

### **Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.**

The following presents the State's proportionate share of the net pension liability calculated using the discount

### **Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2015 the State recognized pension expense of \$(4,423,123). At June 30, 2015 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
State's proportionate share of the net pension asset	\$ (26,305,241)	\$ (32,650,195)	\$ (38,110,962)

rate of 8 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

# STATE OF NORTH DAKOTA

## NORTH DAKOTA HIGHWAY PATROLMEN'S RETIREMENT SYSTEM (NDHPRS)

### **Net Pension Liability**

At June 30, 2015, the State recorded a net pension liability of \$9,766,036 for all of the North Dakota Highway Patrolmen's Retirement System pension plan. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of that date.

**State of North Dakota  
Deferred Outflows and Inflows of Resources  
June 30, 2015  
(Dollars Expressed in Thousands)**

	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ (253,386)	\$ -	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(3,760,870)	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Employer contributions subsequent to the measurement date	2,002,301	-	-	-
<b>Total</b>	<b>\$ 2,002,301</b>	<b>\$ (4,014,256)</b>	<b>\$ -</b>	<b>\$ -</b>

\$2,002,301 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Year ended June 30:

	Primary Government	Component Units
2016	\$ (986,796)	\$ -
2017	(986,796)	-
2018	(986,796)	-
2019	(986,796)	-
2020	(46,578)	-
Thereafter	(20,496)	-
<b>Total</b>	<b>\$ (4,014,256)</b>	<b>\$ -</b>

### **Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.**

The following presents the State's proportionate share of the net pension liability calculated using the discount

### **Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2015 the State recognized pension expense of (\$1,186,774). At June 30, 2015 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	Primary Government	Component Units
2016	\$ (986,796)	\$ -
2017	(986,796)	-
2018	(986,796)	-
2019	(986,796)	-
2020	(46,578)	-
Thereafter	(20,496)	-
<b>Total</b>	<b>\$ (4,014,256)</b>	<b>\$ -</b>

rate of 8 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
State's proportionate share of the net pension asset	\$ 19,044,405	\$ 9,766,036	\$ 2,096,826

# STATE OF NORTH DAKOTA

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## **E. COST SHARING EMPLOYER PENSION PLANS**

### **NORTH DAKOTA PUBLIC EMPLOYEES' RETIREMENT SYSTEM**

#### **Proportionate Share of Net Pension Asset and Liability**

The North Dakota Public Employees' Retirement System (PERS) provides retirement benefits to employees of the primary government and its discrete component units as well as to other political subdivision subdivisions (Main System). It also covers Supreme and district court judges, the National Guard Security Officers and Firefighters, and as of August 1, 2003, peace officers and correctional officers employed by political subdivisions. Effective August 1, 2015, current and newly eligible members of the National Guard System will transfer to the Law Enforcement System.

At June 30, 2015, the State recorded a net pension liability of \$348,760,106 for all of the PERS system. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion of the net pension liability was based on the State's share of covered

payroll in the PERS pension plan relative to the covered payroll of all participating employers. At June 30, 2014 the State's proportion was 55.154588 percent.

The State's discrete component unit, North Dakota Public Finance Authority, also participates in. At June 30, 2015, the discrete component units recorded a net pension liability of \$112,000 for all of the PERS system. The net pension liability was measured as of June 30, 2014 and the total pension liability and asset used to calculate the net pension liability was determined by an actuarial valuation as of that date. The discrete component units' proportion of the net pension liability was based on the their share of covered payroll in the PERS pension plan relative to the covered payroll of all participating employers. At June 30, 2014 the discrete component unit's proportion was 0.017653 percent.

#### **Deferred Inflows and Outflows of Resources**

For the year ended June 30, 2015 the State recognized pension expense of (\$12,962,955), of which (\$11,000) was attributable to the component unit. At June 30, 2015 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**State of North Dakota**  
**Deferred Outflows and Inflows of Resources**  
**June 30, 2015**  
(Dollars Expressed in Thousands)

	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 11,761,006	\$ -	\$ 4,000	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(71,964,153)	-	(27,000)
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Employer contributions subsequent to the measurement date	42,596,340	-	10,000	-
Total	<u>\$ 54,357,346</u>	<u>\$ (71,964,153)</u>	<u>\$ 14,000</u>	<u>\$ (27,000)</u>

\$42,596,340 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Year ended June 30:

	Primary Government	Component Units
2016	\$ (15,421,499)	\$ (5,000)
2017	(15,421,499)	(5,000)
2018	(15,421,499)	(5,000)
2019	(15,421,499)	(5,000)
2020	1,450,780	(5,000)
Thereafter	32,069	2,000
Total	<u>\$ (60,203,147)</u>	<u>\$ (23,000)</u>

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

# STATE OF NORTH DAKOTA

## Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.

The following presents the State's proportionate share of the net pension liability calculated using the discount

rate of 8 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	1% Decrease (7%)	Current Discount Rate (8%)	1% Increase (9%)
State's proportionate share of the net pension liability	\$ 545,632,928	\$ 348,760,106	\$ 188,841,336

## NORTH DAKOTA TEACHERS' FUND FOR RETIREMENT

### Proportionate Share of Net Pension Asset and Liability

The North Dakota Teachers' Fund for Retirement (TFFR) provides retirement benefits to North Dakota public teachers and certain other teachers who meet various requirements. At June 30, 2015, the State recorded a net pension liability of \$6,460,089 for all of the TFFR. The net pension liability was measured as of June 30, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The State's proportion

of the net pension liability was based on the State's share of covered payroll in the TFFR pension plan relative to the covered payroll of all participating employers. At June 30, 2014 the State's proportion was 0.616525 percent.

### Deferred Inflows and Outflows of Resources

For the year ended June 30, 2015 the State recognized pension expense of (\$139,658). At June 30, 2015 the State reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**State of North Dakota**  
**Deferred Outflows and Inflows of Resources**  
**June 30, 2015**  
(Dollars Expressed in Thousands)

	Primary Government		Discrete Component Units	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 49,396	\$ -	\$ -	\$ -
Changes of assumptions	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	-	(733,881)	-	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	-	-	-
Employer contributions subsequent to the measurement date	532,051	-	-	-
Total	\$ 581,447	\$ (733,881)	\$ -	\$ -

\$532,051 reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2016.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows

	Primary Government	Component Units
2016	\$ (175,238)	\$ -
2017	(175,238)	-
2018	(175,238)	-
2019	(175,238)	-
2020	8,233	-
Thereafter	8,234	-
Total	\$ (684,485)	\$ -

Year ended June 30:

# STATE OF NORTH DAKOTA

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## **Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate.**

The following presents the State's proportionate share of the net pension liability calculated using the discount

rate of 8 percent, as well as what the State's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (7 percent) or 1-percentage-point higher (9 percent) than the current rate:

	<b>1% Decrease (7%)</b>	<b>Current Discount Rate (8%)</b>	<b>1% Increase (9%)</b>
State's proportionate share of the net pension liability	\$ 8,722,319	\$ 6,460,089	\$ 4,557,488

## **F. DEFINED CONTRIBUTION PLAN**

The North Dakota Defined Contribution Retirement Plan was established on January 1, 2000, and is administered in accordance with chapter 54-52.6 of the North Dakota Century Code. The Defined Contribution Plan covers state employees who elect to participate in the plan. Effective October 1, 2013, eligibility was expanded to include all state employees hired on or after October 1, 2015 through July 31, 2017, with the exception of employees eligible for the Highway Patrol Retirement System, Teachers Fund for Retirement or the alternative retirement plan of the Board of Higher Education. The Defined Contribution Plan had 312 participants as of June 30, 2015.

The administrative costs of the Defined Contribution Plan are funded by forfeitures of non-vested employees and administrative fees charged to individual participant accounts.

### **Benefits**

Benefits are set by statute. Members are entitled to their vested account balance. A participating member is immediately 100% vested in the employee's contributions. A participating member vests in the employer contributions made on the member's behalf as follows:

Upon completion of two years of service	50%
Upon completion of three years of service	75%
Upon completion of four years of service	100%

Members may elect to receive their account balance in a lump sum, lump sum direct rollover, or periodic distribution. Legislation was passed during the 2015 session providing eligible members of the Defined Contribution Plan a special election in which to elect to return to the NDPERS defined benefit plan.

### **Death and Disability Benefits**

Death and disability benefits are set by statute. Upon the death of a participating member or former participating member, the vested account balance of that deceased participant is available to the participant's designated beneficiary(ies). A member who becomes totally and permanently disabled while employed by the State is eligible to receive a distribution of the vested account

balance. To qualify under this section, the member must meet the criteria established by the System for being totally disabled.

### **Contributions**

Contributions are set by state statute and are a percentage of covered compensation. The State is paying 4% of the member contribution. The member contribution rate is 7.00% and the employer rate is 7.12%. Employer contributions totaled \$1.2 million for the year ended June 30, 2015.

The Board, or vendors contracted by the Board, has exclusive authority to invest and manage the assets of the Defined Contribution Retirement Plan. State statute allows each participating employee to direct the investment of the individual's employer and employee contributions and earnings to one or more investment options within the available categories of investment as established by the Board.

## **G. TEACHERS' INSURANCE ANNUITY ASSOCIATION**

The Teachers' Insurance and Annuity Association (TIAA-CREF), a privately-administered defined contribution retirement plan, provides individual retirement fund contracts for eligible employees as defined by the Board of Higher Education in its approved TIAA-CREF retirement resolution. All benefits vest immediately to the participant. Further information can be obtained by writing to TIAA-CREF, Denver Regional Office, 1700 Broadway, Suite 770, Denver, Colorado 80290 or by calling 800-842-2009.

Employees are eligible for retirement benefits after attaining the age of 65, which is payable periodically for life. All benefits vest immediately to the participant. The plan requires employee and employer contributions be based on a classification system and years of service based on the schedule shown below.

Employment Class	Years Of Service	By The Participant	By The Institution	Total
I	0 thru 10	4.50%	12.50%	17.00%
	over 10	5.00%	13.00%	18.00%
II	0 thru 2	3.50%	7.50%	11.00%
	3 thru 10	4.50%	12.50%	17.00%

# STATE OF NORTH DAKOTA

	over 10	5.00%	13.00%	18.00%
IV	Closed to new participants	4.00%	12.00%	16.00%
President/ Chancellor (additional employer contribution)	0 thru 12 or less than 3	0.00%	8.33%*	8.33%*
	3 to less than 6	0.00%	0.00%	0.00%
	6 yrs and over	0.00%	4.00%	4.00%
		8.00%	8.00%	

\*A final contribution is made in the year the president terminates employment equal to the difference between total contributions made and the president's final annual salary in year of termination of employment.

Plan contributions are made on a tax-deferred basis in accordance with section 414(h)(2) of the Internal Revenue Code. All contributions are applied as premiums to retirement annuity contracts owned by the participant. The State has no further liability once annual contributions are made. The State contributed \$44.0 million to TIAA-CREF during the fiscal year ending June 30, 2015.

## **NOTE 7 - POST-RETIREMENT BENEFITS**

### **RETIREE HEALTH INSURANCE CREDIT FUND**

The Retiree Health Insurance Credit Fund, a cost-sharing multiple-employer plan, is administered by the North Dakota Retirement Board (the Board) to provide members receiving retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), and the Highway Patrolmen's Retirement System a credit toward their monthly health insurance premium under the state health plan based upon the member's years of credited service. Effective July 1, 2015, the credit will also be available to apply towards monthly premiums under the state dental, vision and long term care plan and any other health insurance. The Retiree Health Insurance Credit Fund is advance-funded on an actuarially determined basis.

Employee membership is as follows:

Retirees receiving benefit	5,212
Active participants	23,237
Total Membership	28,449

The Retiree Health Insurance Credit Fund has 23,237 active participants at June 30, 2015. The employers' actuarially required contribution was \$6,438,784, and the actual employer contributions were \$11,478,599 for the periods ended June 30, 2015.

The following are the changes in actuarial assumptions, plan provisions and plan experience of the employer's contribution rates expressed as a percent of covered

payroll, and the dollar impact on the actuarial accrued liability:

	ER Contribution Rate as % of Covered Payroll	Actuarial Accrued Liability
Changes in actuarial assumptions	(0.02)%	\$ 210,531
Changes in plan provisions	0.15%	1,578,986
Changes in plan experience during the year	(0.05)%	(526,329)
	0.08%	\$ 842,126

The employer contribution for the Public Employees Retirement System, the Highway Patrolmen's Retirement System, and the Defined Contribution Retirement Plan is set by state statute on an actuarially determined basis at 1.14 percent of covered compensation. The employer contribution for employees of the State Board of Career and Technical Education is 2.99 percent of covered compensation for a period of eight years ending October 1, 2015. Employees participating in the retirement plan as part-time/temporary members are required to contribute 1.14 percent of their covered compensation to the Retiree Health Insurance Credit Fund. Employees purchasing previous service credit are also required to make an employee contribution to the Fund. The benefit amount applied each year is shown as "prefunded credit applied" on the Statement of Changes in Plan Net Position for the pension trust funds.

Retiree health benefits and death and disability benefits are set by state statute. There are no provisions or policies with respect to automatic and ad hoc post-retirement benefit increases. Employees who are receiving monthly retirement benefits from the Public Employees Retirement System (which includes judges retired under NDCC 27-17), the Highway Patrolmen's Retirement System, or the Defined Contribution Retirement Plan or an employee receiving disability benefits, or the spouse of a deceased annuitant receiving the surviving spouse benefit or if the member selected a joint and survivor option are eligible to receive credit toward their monthly health insurance premium under the state health plan. Effective July 1, 2015, the credit will also be available to apply towards monthly premiums under the state dental, vision and long term care plan and any other health insurance plan. The benefits are equal to \$5.00 for each of the employee's years of credited service not to exceed the premium in effect for selected coverage. The retiree health benefit is also available for early retirement with reduced benefits.

Another component of the Retiree Health Insurance Credit Fund provides health care coverage to eligible retirees who are not eligible for Medicare. The premiums for this coverage are set under NDCC 54-52.1-02 as a percent of the active member single and family plan rates and are paid by the retiree. The premiums for this

# STATE OF NORTH DAKOTA

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coverage are not age-rated. Currently, the premiums for their group do not cover the costs of the coverage; therefore, the costs of this group are being subsidized through the active group rates. This subsidy is not funded in advance and there is no guarantee that the subsidy for the 2013-15 biennium will continue in the future.

A retiree must be receiving a retirement from NDPERS, ND TFFR or TIAA-CREF to be eligible for the retiree health care coverage. Effective July 1, 2015, eligibility for

this coverage will be limited to employees who retire prior to 2015 and / or form Legislators.

The premiums for this plan are reported as employee contributions on the statement of changes in Plan Net Position as they are fully paid by the retirees. The full amount of the premiums collected are expended each year and are reported as health premiums paid on the statement of changes in Plan Net Position.

## Funded Status and Funding Progress

The funded status of the plans as of the most recent actuarial valuation date is as follows (in millions):

Schedule Of Funding Progress  
(Dollars In Millions)

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Value Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	UAAL as a Percentage of Annual Covered Payroll
June 30, 2013	\$ 66.0	\$ 114.1	\$ 48.1	57.8%	\$ 914.4	5.3%
June 30, 2014	77.9	116.6	38.7	66.8%	1,001.2	3.9%
June 30, 2015	89.4	128.9	39.5	69.4%	1,052.7	8.0%

The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear funding trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits, as obtained from the System's independent actuary's annual valuation reports.

Expressing the actuarial value of assets as a percentage of the actuarial accrued liabilities provides an indication whether the plan is becoming financially stronger or weaker. Generally, the greater the percentage the stronger the retirement plan. Trends in unfunded actuarial accrued liabilities and annual covered payroll are both affected by inflation. Expressing the unfunded actuarial accrued liabilities as a percentage of annual covered payroll aids analysis of progress made in accumulating sufficient assets to pay benefits when due. Generally, the smaller this percentage the stronger the retirement plan.

The accompanying schedule of employer contributions, presented as required supplementary information following the notes to the financial statements, presents trend information about the amounts contributed to the plans by employers in comparison to the Annual Required Contribution (ARC). The ARC is actuarially determined in accordance with the parameters of GASB Statement 50. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded

actuarial liabilities over a period not to exceed thirty years.

Under the Projected Unit Credit Actuarial Cost Method, benefits are projected to each assumed occurrence of decrement (death, disability, retirement) using service as of the valuation date. The normal cost is equal to the actuarial present value of the benefits allocated to the current year. The actuarial accrued liability for active members is equal to the actuarial present value of the benefits allocated to all prior years. The actuarial accrued liability for members currently receiving benefits and for participants entitled to deferred benefits is the actuarial present value of the benefits expected to be paid. The unfunded actuarial accrued liability is equal to the actuarial accrued liability minus the actuarial value of assets. This amount is amortized as a level percentage of payroll over a fixed period of 40 years, of which 15 years remain. For the implicit subsidy unfunded plan, this amount is amortized as a level dollar over a fixed period of 30 years, of which 22 years remain.

Actuarial valuations for other postretirement employee benefit plans involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as results are compared to past expectations and new estimates are made about the future. Actuarial calculations of other postretirement employee benefit plans reflect a long-term perspective.

The actuarial methods and assumptions for the other postretirement employee benefit plan include techniques

# STATE OF NORTH DAKOTA

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that are designed to reduce short-term volatility in the actuarial accrued liabilities and the actuarial value of assets.

## **Advance Funded Plan**

For actuarial purposes, assets are valued utilizing a method which recognizes book value plus or minus realized and unrealized investment gains and losses amortized over a five-year period.

Significant actuarial assumptions employed by the actuary for funding purposes as of June 30, 2015, the date of the latest actuarial valuation include:

**Mortality Rates:** The RP-2000 Combined Healthy Mortality Table set back two years for males and three years for females.

**Funded Status and Funding Progress**

The funded status of the plans as of the most recent actuarial valuation date is as follows (in millions):

Actuarial Valuation Date	Schedule Of Funding Progress (Dollars In Millions)					UAA as a Percentage of Annual Covered Payroll
	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Value Accrued Liability (UAAL)	Funded Ratio	Annual Covered Payroll	
June 30, 2013	\$ -	\$ 29.9	\$ 29.9	0.00%	\$ -	0.0%

\*See Retiree Health Insurance Credit Fund above for additional discussion on the Funded Status and Funding Progress

Significant actuarial assumptions employed by the actuary for funding purposes as of July 1, 2013, the date of the latest actuarial valuation include:

**Mortality Rates:** RP-2000 Combined Healthy Mortality Table, set back three years for males and females (set back one year for Highway Patrol). RP-2000 Disabled Retiree Mortality Table, set back one year for males (not set back for females).

**Health Care Cost Trend:** Select - 8.00%; Ultimate 6.0%. Select trends are reduced 0.5% each year until reaching the ultimate trend.

**Retirement Age:** Retirement probabilities have been developed from the assumptions for the NDPERS pension plans.

**Termination:** Probabilities of withdrawal for reasons other than death and retirement have been developed from the assumptions for the NDPERS pension plans.

## JOB SERVICE NORTH DAKOTA

Job Service North Dakota engaged an actuary to determine the Agency's liability for post-employment benefits other than pensions as of June 30, 2015. The actuary determined the obligation the agency has to record as of June 30, 2014 is the difference between the Annual Required Contribution (ARC), defined as the

years for females, and the RP-2000 Disabled Retiree Mortality Table set back one year for males (not set back for females), multiplied by 125%.

**Withdrawal Rates:** Rates of withdrawal from active service before retirement for reasons other than death, rates of disability and expected retirement ages developed on the basis of an investigation of actual plan experience.

**Interest Rate:** 8.00% per annum, net of investment expenses.

**Inflation:** 3.50% per annum.

**Expenses:** Prior year expenses, adjusted for inflation.

normal cost plus an amortization for prior years unfunded liability, and the amount paid during the year. Former employees receiving retirement benefits under the Retirement Plan for Employees of Job Service North Dakota are eligible to participate in the Retiree Health Benefits Fund, a cost-sharing multiple-employer plan, as administered by the Public Employees Retirement Board. The retired employee is provided a credit toward their monthly health insurance premium under the state health plan based upon their years of credited service. In accordance with NDCC 54-52.1-03.2, Job Service North Dakota reimburses the Retiree Health Benefits Fund monthly for credit received by members of the retirement plan established by Job Service North Dakota. This benefit is equal to \$5.00 for each of the employee's, or decreased employee's years of credited service not to exceed the premium in effect for selected coverage.

Job Service North Dakota employees who had a Met Life Insurance policy in effect on December 1, 1999, when the Met Life Insurance benefit plan was discontinued for new employees, receive the following benefits: Job Service North Dakota pays 33% of the monthly Basic Met Life Insurance premium of current employees with a Met Life Insurance policy and upon retirement the employees Basic Met Life Insurance premiums are covered 100% by Job Service North Dakota. The Basic Life Insurance Benefits are equal to the employees annual salary up to a maximum of \$45,000 and are decreased at a rate of 2% per month at age 65 until the benefit is 25% of the original amount.

## STATE OF NORTH DAKOTA

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Job Service has authority to change the funding and benefit policy of this plan. Membership of the Other Post

Retirement Benefit plans consisted of the following at July 1, 2014, the date of the latest actuarial valuation:

	Retiree Health Benefits Fund	Met Life Insurance Benefit
Retirees and beneficiaries currently receiving benefits	151	184
Terminated employees entitled to benefits but not yet receiving them	1	-
Current vested employees	13	29
<b>Total</b>	<b>165</b>	<b>213</b>

The funding policy of the plans thru June 30, 2015 is pay-as-you go plan, contributing annually the amount necessary to pay benefits of retirees. Below is listed the actuarial methods and assumptions which were used in the actuary report and study conducted by Bryan, Pendleton, Swats & McAllister, LLC.

Valuation Date	June 30, 2014
Actuarial Cost Method	Entry Age Actuarial Cost Method
Amortization Method	15-Year Amortization
	Open
Remaining Amortization Period	15 years
Asset Valuation Method	Market Value
Actuarial Assumptions:	
Investment Rate of Return	4.5%
Includes Inflation at	5%

Annual OPEB Cost and Net OPEB Obligation – The Agency's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of thirty years. The following table shows the components of the Agency's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Agency's net OPEB obligation:

	Retiree Health Benefits Fund	Insurance Benefit	Total
Annual required contributions	\$ 380,021	\$ 125,431	\$ 505,452
Interest on OPEB obligation	19,042	14,495	33,537
Adjustment to annual required contributions	(38,542)	(29,341)	(67,883)
Annual OPEB costs	360,521	110,585	471,106
Contributions made	260,155	52,019	312,174
Increase in net OPEB obligation	100,366	58,566	158,932
Net OPEB obligations, beginning of year	526,750	380,722	907,472
Net OPEB obligations, end of year	<b>\$ 627,116</b>	<b>\$ 439,288</b>	<b>\$ 1,066,404</b>

# STATE OF NORTH DAKOTA

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The following schedule presents the annual OPEB cost contributed, the net pension obligations, and the percentage contributed:

June 30	Annual Retiree Health Benefits OPEB Costs	Annual Met Life Insurance OPEB Costs	Annual Retiree Health Benefit Cost Contributed	Annual Met Life Insurance Cost Contributed	OPEB Obligation	Annual OPEB Cost Contributed
2013	\$ 378,622	\$ 116,911	\$ 247,112	\$ 50,855	\$ 197,566	60.1%
2014	360,521	110,585	256,911	51,980	162,215	65.6%
2015	360,521	110,585	260,155	52,019	158,932	66.3%

**Funded Status and Funding Progress** – As of June 30, 2014, the most recent actuarial valuation date, the plans were unfunded. The actuarial liability for benefits was \$5,531,753, and the actuarial value of assets was \$0.00 resulting in an unfunded actuarial accrued liability (UAAL) of \$5,531,853. The covered payroll (annual payroll of active employees covered by the plans) was \$1,659,528 and the ratio of the UAAL to the covered payroll was 306.41 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment and mortality. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer as made about the future.

**Actuarial Methods and Assumptions** – Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing the benefit of costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## **NOTE 8 - DEFERRED COMPENSATION PLAN**

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all State employees, permits them to defer a portion of their current salary until future years. Each participant may defer the lesser of \$18,000 or 100% of gross annual compensation. Participation in the plan is optional. The deferred compensation is not available to the employees until termination, retirement, death or unforeseeable emergency.

All compensation deferred under the plans, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights, are held in trust for the exclusive use of the employee or their beneficiary.

The related assets of the plan, held in trust, are reported at fair value as follows (expressed in thousands):

Plan Participation By:			
State of North Dakota	\$ 66,595	91%	
Other Jurisdictions	6,443	9%	
<b>Total Value</b>	<b>\$ 73,038</b>	<b>100%</b>	

## **NOTE 9 - PERS UNIFORM GROUP INSURANCE PROGRAM**

The PERS Uniform Group Insurance Program, an enterprise fund, contracts with Blue Cross Blue Shield of North Dakota (BCBS) to provide health care insurance to the employees of the State of North Dakota, or any of its political subdivision, institutions, departments or agencies. The contract for the 2011-2013 biennium provides for an accounting of premiums paid and claims incurred during the biennium. The final gain or loss is determined two years after the end of the biennium, which for the 2011-2013 biennium occurred on June 30, 2015. For this period, premiums exceeded claims, therefore, a gain of \$9.5 million was returned to the System. The System has entered into a similar contract with BCBS for the 2013-2015 biennium and with Sanford Health Plan for the 2015-2017 biennium. The accumulated surplus and other invested funds in the amount of \$47 million are shown as cash on the System's balance sheet. No other insurance contracts have a gain sharing provision.

The federal health care reform bill provides for a pre-Medicare retiree reinsurance provision for employer plans that will reimburse employers by providing reinsurance for 80% of retiree claims between \$15,000 and \$90,000. This program became effective on June 1, 2010, and employer eligibility is determined from an application submitted by the employer to the Department of Health and Human Services. The program requires that the funds be used to (1) reduce the sponsor's health benefit premiums or health benefits costs, (2) reduce health benefit premium contributions, copayment, deductibles, coinsurance, or other out-of-pocket costs, or any combination of these costs, for plan participants, or (3) reduce any combination of the costs in (1) and (2). The System Board determined that any reimbursements received under this program be used to help reduce health care costs for members of the Uniform Group Insurance Program. The System submitted an

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application and determined to be an eligible employer. The State received a reimbursement of \$1.0 million during the fiscal year 2012 and \$1.7 million during fiscal year 2011 which is included in Cash on the State's financial statements. Funding for this program is no longer available; therefore no reimbursements were received.

## **NOTE 10 - SEGMENT INFORMATION**

North Dakota Housing Finance Agency maintains two separate funds which account for general agency operations and provide loans to finance construction of rental residential housing and single-family ownership. The two funds are accounted for in a single fund, but investors in home ownership bonds rely solely on the revenue generated by the mortgage loans and assets acquired for repayment. Segment information for the year ended June 30, 2015, was as follows (expressed in thousands):

### **Condensed Statement of Net Position**

	Home-Ownership Bond Funds
Current assets – other	\$ 147,729
Noncurrent assets – other	654,464
<b>Total Assets</b>	<b>802,193</b>
Deferred outflow of resources	8,985
Current liabilities – other	34,961
Noncurrent liabilities – other	631,265
<b>Total Liabilities</b>	<b>666,226</b>
Net position – restricted	144,952
<b>Total Net Position</b>	<b>\$ 144,952</b>

### **Condensed Statement of Revenues, Expenses and Change in Fund Net Position**

Operating revenues	\$ 30,283
Operating expenses	(22,628)
<b>Operating income</b>	<b>7,655</b>
Change in net position	
Total net position, beginning of year	131,330
Equity transfer out	5,967
Total net position, end of year	<b>\$ 144,952</b>

### **Condensed Statement of Cash Flows**

Net cash from operating activities	\$ (4,150)
Net cash used for noncapital financing activities	(20,503)
Net cash used for investing activities	(3,790)
Net change in cash and cash equivalents	(28,443)
Cash and cash equivalents, beginning of year	157,097
Cash and cash equivalents, end of year	<b>\$ 128,654</b>

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## **NOTE 11 - MAJOR COMPONENT UNIT TRANSACTIONS**

### **BISMARCK STATE COLLEGE AND BISMARCK STATE COLLEGE FOUNDATION**

On January 25, 2007, BSC and BSC Foundation entered into a 15-year lease agreement to facilitate the construction of a Mechanical Maintenance building. Under the agreement, BSC is responsible for the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the \$1.4 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100. On August 15, 2013, an addendum was made to the lease agreement to facilitate an addition to the facility. Under this addendum, the additional amount of rent through September 30, 2015 is tied to the debt service retirement of \$228,000.

On October 19, 2007, BSC and BSC Foundation entered into a 25-year lease agreement to facilitate the construction of the National Energy Center of Excellence building. Under the agreement, BSC is responsible for payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility as set forth in the lease. The amount of the rent is tied to the \$5.0 million debt service retirement. Upon payment of all the bonds, BSC will have the option to purchase the premises for \$100.

The audited financial statements of BSC Foundation for fiscal year 2015 report this transaction as a receivable from BSC and a long-term liability. BSC's financial statements include the capitalized asset and a long-term liability due to BSC Foundation.

The building is recorded as a capital asset in the foundation's financial statements at actual cost less accumulated depreciation. BSC recorded the capital asset based on the lease value plus subsequent improvements made by BSC, net of accumulated depreciation. The table below displays the amounts recorded by both:

	BSC	BSC Foundation
NECE Building	\$9,338,149	\$10,846,116
Accumulated Depreciation	(1,338,694)	(1,804,597)
Net Value of NECE Building	<u>\$7,999,455</u>	<u>\$9,041,519</u>

On September 26, 2014, BSC and Student Housing, LLC (a wholly owned subsidiary of BSC Foundation) entered into a 30-year Ground Lease to facilitate the construction and development of a student apartment housing complex on approximately 4.67 acres of land

owned by BSC. Under the agreement, BSC would enter into a separate operating and lease agreement with LLC for the constructed student housing apartment complex for use as a College student housing facility. There are no separate rent payments to be paid by LLC during the term of the Ground Lease agreement in exchange for use of the land.

On October 14, 2014, BSC and Student Housing, LLC (a wholly owned subsidiary of BSC Foundation) entered into a Memorandum of Understanding (MOU) which sets forth the essential terms of an Apartment Master Lease agreement to be entered into between LLC and BSC, under which LLC will lease to BSC space in the student housing complex to be constructed by LLC on BSC property according to the terms and conditions of the Ground Lease. The 5-year renewable Apartment Master Lease Agreement will address quarterly rent payments by BSC and responsibilities for maintenance, repairs and insurance of the facilities and improvements during the term of the lease.

### **DICKINSON STATE UNIVERSITY AND DICKINSON STATE UNIVERSITY FOUNDATION**

**Arbitration** - The Dickinson State University Foundation (DSUF) has ownership interest and/or management responsibilities in various real estate projects by way of its membership in Dickinson Investments, LLC (Dickinson Investments) and other entities. DSUF is involved in a dispute with another member of Dickinson Investments, Granville Brinkman and other Brinkman entities (Respondent). An arbitration claim was filed on December 26, 2013. On September 30, 2015, the arbitrator awarded the Respondent a buy-out of their equity interest in the amount of \$1.260 million. The Respondent was also awarded repayment of a note, prejudgment interest and attorneys' fees and costs. DSUF and Dickinson Investments are jointly and severally liable for the buyout amount.

On October 28, 2014, the arbitrator issued a final arbitration award and ordered:

- a) prejudgment interest at 6% would commence December 26, 2013,
- b) the amount of attorney fees and costs to be repaid was \$233,420,
- c) the note prepayment amount was \$133,600
- d) the parties shared responsibility for arbitration fees and expenses totaling \$67,620.

The final award exceeds \$1.7 million. Although DSUF has an equity interest of about 6 percent in Dickinson Investments, the arbitrator has ruled that it is jointly and severally liable for the entire award, except the \$133,600 loan for which Dickinson Investments is responsible.

If DSUF is unable to meet this obligation as well as its ongoing operating expenses, creditors may seek to collect from and possibly foreclose on the assets of DSUF.

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**Receivership** - At the request of the NDUS Chancellor, on November 21, 2014, the North Dakota Attorney General petitioned the state district court for the appointment of a receiver. On December 3, 2015, the court appointed Sean Smith, JD, CPA, to be the receiver through June 2015. The court order included the following:

- The receiver shall take immediate possession, custody, and control of all assets owned or held by DSUF;
- The DSUF board of directors shall be temporarily suspended and have no authority to act on behalf of DSUF;
- The receiver shall gather, protect and oversee DSUF's corporate and charitable assets;
- The receiver shall report to the court; and
- The receiver shall have all the authority necessary to continue the day-to-day activities of the DSUF.

The receiver filed interim reports on a regular basis through August 2015. In the seventh interim report, dated August 31, 2015, the receiver recommended that DSUF be dissolved. This recommendation is based on an inability to negotiate a mutually acceptable settlement of the outstanding Brinkman judgment against DSUF. The report indicates that dissolution should foremost prioritize DSUF obligations to honor restrictions placed on DSUF assets by donors, then address claims made by creditors, employees, and other interested parties. However, DSUF accounting reports indicate that the foundation has total net restricted assets in an amount less than total permanently and temporarily restricted donations.

The Office of Attorney General has requested the commencement of dissolution for DSUF. The dissolution will require the distribution or liquidation of DSUF assets. The receiver has recommended that protective orders should be entered to protect DSUF's corporate net assets to facilitate the dissolution process. At this time, it is anticipated the dissolution of the DSUF will be completed by September 30, 2016.

DSUF's Restated Articles of Incorporation state that upon dissolution, remaining assets shall be distributed to the SBHE for the exclusive use and benefit of the Dickinson State University or its direct successors in interest. The receiver recommended that all remaining net assets of DSUF be directed to be turned over to a new 501(c)(3) tax-exempt Foundation in keeping with DSUF's Restated Articles of Incorporation.

**Financial Audit:** - In fiscal year 2013, the DSUF's independent auditors issued a qualified opinion on the DSUF financial statements because they were unable to form an opinion regarding the proper amount and classification of unrestricted and temporarily restricted net assets. In fiscal year 2014, the DSUF's independent auditors are unable to issue an audit opinion on the

DSUF financial statements as a result of the aforementioned arbitration and the overall condition of the DSUF financial records. An audit was not performed for fiscal year 2015. Therefore, the financial information for DSUF has not been included in the component units university system foundation financial statements presented on the FASB basis. The unaudited total assets, liabilities and net assets of DSUF were \$25.3 million, \$16.2 million and \$9.1 million respectively as of December 31, 2014.

Additionally, it has been reported that DSUF may have used endowment funds as collateral to obtain financing and to meet monthly operating expenses of the foundation and one of its real estate projects.

The impact of the arbitration and the state of the financial records on DSUF's ability to provide funds going forward to Dickinson State University for scholarships and student-related programs is unknown.

## NORTH DAKOTA STATE UNIVERSITY AND NDSU RESEARCH AND TECHNOLOGY PARK, INC.

On December 30, 1999, North Dakota State University, through the State of North Dakota and North Dakota State Board of Higher Education, entered into a ground lease, whereby the NDSU Research and Technology Park, Inc. (component unit) leases 40 acres of land for \$1 per year for the next seventy-five years.

On November 1, 2000, NDSU Research and Technology Park, Inc. (RTP) entered into a \$6.5 million lease agreement with the City of Fargo to finance the construction of laboratory and research facilities and all equipment and furnishings located on property owned by the city. The agreement assigned to NDSU all of RTP's obligations under the lease, including but not limited to the payment of all rent, maintenance, and repair of the facility, maintenance of all insurance required under the lease, and restrictions of use of the facility set forth in the lease. Upon payment of all the bonds, title to the facility will revert to RTP. On August 1, 2002, essentially the same legal and financial structure used to construct Research Building #1 was used to construct a second Research Building. The second lease agreement was for \$20.5 million.

On January 25, 2007, the city of Fargo, on behalf of the NDSU Research & Technology Park, issued \$4,735 million of Series 2007A (Research 1) and \$18,1 million of Series 2007B (Research 2) Lease Revenue Refunding Bonds. These bonds are used to advance refund the callable maturities of both the Series 2000 (Research 1) and Series 2002 (Research 2) bonds and to pay the costs of issuance (including the insurance premium for the insurance policy and the reserve fund surety bond) relating to bonds for both Series 2007A and 0072B bonds. During the year ended June 30, 2011, the Series 2000 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing. During the fiscal year ended June 30, 2012, the Series

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2002 bonds were repaid in full with the funds held in escrow from the Series 2007A bond refinancing.

The audited financial statements of RTP for fiscal year 2015 report these transactions as an operating lease and report the related capital assets and related debt as assets and debt of RTP.

On July 1, 2002, NDSU and the RTP entered into an agreement for cooperation and assistance between entities. The agreement is an annual agreement, which automatically extends for one-year periods unless cancelled by either party to the agreement.

During fiscal year 2013, NDSU and the RTP entered into renewed agreements, whereby NDSU leases Research Building #1 and #2 through June 30, 2022. During fiscal year 2015, total annual rent of \$2,152,593 was paid by NDSU for these two buildings. NDSU directly pays the utility costs under these agreements. The annual rent will be re-adjusted by mutual agreement every two years. These agreements are subject to funding and legislative appropriations.

During fiscal 2015 NDSU made other payments to the RTP that were unrelated to the building leases for Research #1 & #2. These payments consist of the following: 1) \$31,100 for an operating lease for lab space and miscellaneous charges in the RTP's Technology Incubator Building; 2) \$181,000 for sponsorship of an RTP event called "Innovation Challenge '15" (\$86,000 from grant sub-awards and \$95,000 for additional event sponsorship). Also, during fiscal year 2015, the RTP paid NDSU a total of \$48,583 as reimbursement of NDSU operating expenses.

## NORTH DAKOTA STATE UNIVERSITY AND NDSU DEVELOPMENT FOUNDATION

### FARGODOME LEASE AND IMPROVEMENTS

In fiscal year 2006, the NDSU Development Foundation financed the construction and equipping of office space, locker rooms, meeting rooms, and related facilities in the Fargodome for use by NDSU through the sale of revenue bonds issued by Cass County. The Foundation has leased the space in the Fargodome from the City of Fargo and subleased the space, furniture, fixtures and equipment to NDSU. Under the agreement, NDSU will pay rent to the NDSU Development Foundation for use of the premises. The amount of the rent is tied to the \$3.5 million debt service retirement plus the Fargodome annual space rent and all costs incurred by the Development Foundation incident to the lease, less any contributions received by the Foundation for the project. NDSU paid the Development Foundation \$336,046 in fiscal year 2015 under this agreement.

The facility is included in long-term investments and the debt is included in long-term liabilities on the financial reports of the NDSU Development Foundation. NDSU has also recorded a capital asset and a capital lease payable of \$1.582 million as of June 30, 2015. Since the

Development Foundation is a discretely presented component unit of the University System and the component unit and the University System are reporting the same assets and debt for the Fargodome improvements, a reclassification entry was made to ending balances in the component unit consolidating financial statements to show the appropriate due from primary institution.

### RENAISSANCE HALL

The former Northern School Supply building was donated to the NDSU Development Foundation by NDSU alum in December 2001. During fiscal years 2003 and 2004, the NDSU Development Foundation renovated the building with the intent to lease the facility to NDSU beginning fall 2004. The Development Foundation transferred nearly the entire ownership of the building to 650 NP Avenue, LLC and Kilborune Design Group, LLC, for a five-year period in order to achieve tax credits that would ultimately reduce the cost of the building to NDSU. During the five-year tax credit period, NDSU leased the building from the two LLCs, with lease payments composed of interest and fees. With the five-year tax credit period ending December 31, 2010 (as extended), and the ownership was transferred back to the Development Foundation, permanent financing was put in place on December 17, 2010, with the issuance of \$5.65 million of 20-year University Facilities Revenue bonds, Series 2010 (Renaissance Hall Project). The financing structure involving the five-year temporary ownership transfer resulted in achieving tax credits of \$4.9 million which directly lowered the leasing cost to NDSU.

Under this refinanced debt issuance and lease agreement, as approved by the State Board of Higher Education on December 16, 2010, the property is leased to NDSU for rent equal to the semi-annual principal and interest on the bonds, plus all costs incurred by the Development Foundation incident to ownership of the property. Ownership of the property will transfer to NDSU when the bonds are repaid in full. NDSU paid the Development Foundation \$407,109 in fiscal year 2015 under this agreement. As of June 30, 2015, the outstanding balance on the bonds, reflected as "Due to Component Units" by NDSU, is \$4.795 million.

### BARRY HALL BUSINESS BUILDING AND KLAU HALL ARCHITECTURE BUILDING

Effective November 28, 2007, NDSU and the NDSU Development Foundation entered into a lease agreements for two buildings in downtown Fargo, formerly known as the "Pioneer Mutual Building" and "Lincoln Mutual Building". The Foundation financed the construction of the Barry Hall business building and Klaau Hall architecture building projects through the sale of \$18.52 million of 20-year University Facilities Revenue Bonds issue by the City of Fargo, North Dakota. The City has loaned the bond proceeds to the Foundation for payments equal to the sum of the semi-annual interest payments and installments of varying principal amounts on the variable rate bonds and the semi-annual principal

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and interest payment on the fixed-rate bonds. The principal payments on the variable rate bonds will be funded from payments on donor pledges restricted for the project. Under the terms of the loan, the Foundation is responsible for the real estate taxes, insurance, repairs and maintenance, and other costs incident to ownership of the property. The property is included with property in the financial statements and the bonds have been recorded as a direct obligation of the Foundation. Ownership of the property will transfer to NDSU when the bonds are repaid in full. The bonds are guaranteed by the Foundation. This property is leased to NDSU for rental equal to the sum of the semi-annual interest only payments on the variable term bonds plus the semi-annual principal and interest payments on the fixed-rate bonds for the term of the bonds, plus all the costs incurred by the Foundation incident to ownership of the property.

In May 2012, the NDSU Development Foundation refinanced the original bonds issued in November 2007. As a result new leases were executed. Under the terms of the new leases, NDSU pays and recognized a liability for the entire amount of previously issued bonds, including the portion originally planned to be paid from the collections of pledges. During fiscal year 2015, NDSU paid \$778,745 to the NDSU Development Foundation under the new leases for debt service, property taxes and insurance on Barry Hall and Klai Hall. During fiscal year 2015, the Foundation paid \$319,305 to NDSU from the collection of pledges. NDSU has an option to acquire the property upon full payment of the bonds. As of June 30, 2015 the outstanding balance of the bonds, reflected as "Due to Component Units" by NDSU, is \$10.96 million and the portion payable by the Foundation to NDSU for the collection of pledges is recognized by NDSU as current and non-current "Due from Component Units" for \$631,235.

## OTHER TRANSACTIONS

NDSU also has agreements in place with the Foundation for maintenance of the University's alumni records, for use and insurance on certain land and buildings and for lease of a vehicle. Amounts paid under these agreements as of June 30, 2015, totaled \$878,554.

NDSU Development Foundation fiscal year end is December 31, and NDSU year end is June 30. Timing differences in amounts may occur between entity financial statements, due to different year end dates.

## UNIVERSITY OF NORTH DAKOTA AND UND AEROSPACE FOUNDATION

The Aerospace Foundation (Aerospace) reimbursed UND for salaries, building rent, aircraft rental, and goods and services under an operating agreement aggregating approximately \$17.3 million in fiscal year 2015. This operating agreement has no specific term and is intended to memorialize various operating agreements, rate structures, duties, and obligations each party has to the other. Expenses reimbursed to UND represent actual

costs incurred and are included in operating expenses in the statement of activities.

Aerospace recorded revenue for service and hangar, CRJ, 360-degree tower, and aircraft rental to UND of \$4.480 million in fiscal year 2015, which is included in sales and service revenue in the statement of activities.

As of June 30, 2015, Aerospace had recorded accounts payable of \$939,919 for reimbursable costs and services. As of June 30, 2015, Aerospace had recorded accounts receivable from UND of \$321,442 which are included in accounts receivable on the statement of financial position.

Aerospace employees also have the ability, as do UND employees, to rent UND planes for personal use. Aerospace and UND employees are charged directly by UND. These costs do not flow through Aerospace, but are paid to UND directly by the employee.

Aerospace entered into a sublease with UND to lease the aircraft storage hangar/ground support equipment facility. The lease term is for 20 years, commencing on July 7, 2003, until July 6, 2023. For the first 15 years of the sublease, UND will pay Aerospace's monthly minimum payment of \$12,672, beginning October 1, 2003, subject to actual cost adjustments. At the end of the 15 years of the sublease, rent will be adjusted based upon the interest rate adjustments of debt incurred by Aerospace in the construction of the hangar.

## UNIVERSITY OF NORTH DAKOTA AND RE ARENA, INC.

RE Arena Inc. and the University of North Dakota, enter into an annual operating agreement from July 1 to June 30. The operating agreement sets forth the facility usage, fees and services, ticket administration and revenue allocation, sponsorship sales administration and revenue allocation, and net income disposition. In accordance with this agreement: (i) RE Arena Inc. collects all ticket revenue from ticketed University of North athletic events (men's and women's hockey, football, men's and women's basketball, and volleyball), RE Arena, Inc. retains 52% of such ticket revenue and remits 48% to the University of North Dakota, and (ii) RE Arena Inc. collect all sponsorship sales revenue from the University of North Dakota athletic events, RE Arena, Inc. retains 64% of such sponsorship revenue, net of direct costs, and remits 36% to the University of North Dakota net of direct costs. In addition, the University of North Dakota and RE Arena, Inc. jointly utilize the University of North Dakota athletic events.

In addition, RE Arena, Inc. may contract with UND for materials and personnel in the service and utility areas and will reimburse UND based on separate agreements. Revenue and expense arrangements for all other UND events held at the arena will be negotiated on an event-by-event basis. The transactions in relation to the contractual relationship are as follows:

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- Gross tickets sales were \$4.298 million of which RE Arena, Inc. recognized revenue of \$2.235 million with a net due to UND \$2.063 million.
- Gross ticket sales for the next athletic season year are recorded in deferred revenue at gross by RE Arena, Inc. for a total of \$2.317 million. RE Arena, Inc. recognized net sponsorship (advertising) revenue of \$729,762 and the net due UND in sponsorship (advertising) income of \$410,491.
- RE Arena, Inc. recognizes box office revenue on a cost reimbursement basis, for ticket facility fees, credit card fees and payment plan fees and expenses. The total cost that the UND Athletic Department reimbursed RE Arena, Inc. for managing and administering the box office on their behalf was \$190,666. In addition, RE Arena, Inc. allocated \$200,000 of net income to the UND Athletic Department for the year ended May 31, 2015.
- RE Arena, Inc. expensed \$1.034 million to UND for utilities, maintenance staff, phone service and other expenses. At the end of the fiscal year RE Arena, Inc. owes UND \$675,782 for the annual operating agreement and monthly services.

RE Arena Inc. fiscal year end is May 31, UND year end is June 30. Timing differences in amounts may occur between entity financial statements due to different year end dates.

### UNIVERSITY OF NORTH DAKOTA AND UNIVERSITY OF NORTH DAKOTA FOUNDATION

The University of North Dakota is providing payment for leasehold improvements done to the lower level of the Gorecki Alumni Center for establishing space for UND Admissions. The payments are \$169,472 for a period of 5 years. The University of North Dakota is also leasing space in the Gorecki Alumni Center in the amount of \$75,000. Additionally rental payments consisting of the University's share of the operating and maintenance costs for space used in the Gorecki Alumni Center are calculated annually.

During the year ended June 30, 2015, the University of North Dakota provided approximately \$1.089 million of institutional support for event and database support, annual giving campaign and campaign contributions, and Director of Development support. The Organizations manage UND's endowment investments and charged them \$463,368 in investment management fees during the year ended June 30, 2015. These fees and support are reported as operations, fees and miscellaneous revenue on the statement of activities.

The Organizations have entered into direct-financing lease agreements with the University of North Dakota. On July 24, 2002, the Foundation issued \$8.6 million of tax-exempt bonds to finance the construction of an office

building and the renovation of an existing building for the Energy and Environmental Research Center (EERC) of the University of North Dakota. The Organizations recorded a receivable from UND of \$8.6 million due under the direct-financing lease arrangement. The EERC bonds were refinanced as taxable bonds on October 18, 2012. The balance as of June 30, 2015 was \$5.335 million. The terms for the repayment are the same as the payment terms of the related bonds.

On October 24, 2003, the Foundation issued \$4.4 million of tax-exempt lease revenue bonds to finance the purchase of land and the construction of a facility for the Minot Center for Family Practice in Minot, ND. The Foundation recorded a receivable from UND of \$4,400,000 due under the direct-financing lease agreement. The balance as of June 30, 2015 is \$2.638 million. The terms for the repayment are the same as the payment terms of the related bonds. During fiscal year ended June 2015, the Foundation received payment of principal and interest of \$156,063, respectively. The interest income is included in operations, fees and miscellaneous income on the statement of activities.

In 2008, the Foundation issued bonds to finance the UND School of Medicine construction of the Human Patient Simulation Center. The facility is being leased to the University of North Dakota for a period of 5 years for a total amount of \$206,810 which is equivalent to finance the costs of the construction. In fiscal Year 2015, the Foundation received the final payment of \$41,362.

### NORTH DAKOTA STATE COLLEGE OF SCIENCE AND NORTH DAKOTA STATE COLLEGE OF SCIENCE FOUNDATION

For the year ended June 30, 2015, NDSCS paid the foundation \$174,000 for the rental of the Skills & Technology Training Center Building and \$10,953 for parking lots.

The NDSCSF has an agreement with NDSCS for administrative services. Under this agreement, NDSCSF paid \$219,553 during fiscal year 2015.

In exchange for services provided by NDSCSF to NDSCS, NDSCSF receives office space and accounting services at no charge from NDSCS. The approximate fair market value for rent is \$5,670 and for accounting services is \$7,454.

### WILLISTON STATE COLLEGE AND WILLISTON STATE COLLEGE FOUNDATION

In fiscal year 2012, WSC and the foundation entered into an agreement whereby the foundation lent WSC \$500,000 for a dormitory geothermal heating project. The note has an eleven year term and a 5 percent fixed annual interest rate. Effective July 1, 2015 the interest rate on the loan was changed to 3 percent.

On November 1, 2013, WSC Foundation entered into a

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lease agreement with WSC. The Foundation is leasing a bus it had purchased to WSC. The value of the bus was \$375,000. Quarterly lease payments of \$15,000 are being made by WSC for a seven year lease term.

The Foundation leases two semis to WSC for \$9,000 per quarter maturing on June 30, 2013. Effective July 1, 2013, the payments were reduced to \$4,500 per quarter on a quarter to quarter basis. The total payments paid to the Foundations in fiscal year 2015 were \$0. The semis were gifted to WSC in July 2014.

The Foundation leases five trailer homes with a cost of \$153,997 and a carrying amount of \$96,964 to WSC for \$12,500 per quarter. The lease matured September 30, 2013 and has continued on a quarter to quarter basis. The total payments paid to the Foundations in fiscal year 2015 were \$0. The semis were gifted to WSC in July 2014.

Individuals working on behalf of the Foundation and the Department of Motor Vehicles (DMV) are employees of and paid by WSC. The Foundation reimburses WSC for the time WSC employees spend on Foundation and DMV matters. Funds are reimbursed to WSC and are recorded as expenses by the Foundation. The amounts reimbursed for the years ending June 30, 2015 was \$709,720. As of June 30, 2015, the outstanding amount owed to WSC was \$33,223.

## **NOTE 12 - FINANCIAL INSTRUMENTS WITH OFF-BALANCE-SHEET RISK**

### **BANK OF NORTH DAKOTA**

The State, through the Bank of North Dakota, is a party to financial instruments with off-balance-sheet risk in the normal course of business. These financial instruments include commitments to extend credit and financial standby letters of credit. Those instruments involve varying degrees of credit and interest rate risk in excess of the amount recognized in the balance sheet. The contract amounts of those instruments reflect the extent of involvement the State has in particular classes of off-balance-sheet financial instruments.

The State's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for commitments to extend credit and financial standby letters of credit is represented by the contractual amount of those instruments. The State uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

	Contract Amount (in thousands)
Commitments to extend credit	\$ 1,036,020
Financial standby letters of credit	353,296
	<hr/> <hr/> <hr/>
	\$ 1,389,316

Commitments to extend credit are agreements to lend as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since many of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The amount of collateral obtained by the State upon extension of credit is based on management's credit evaluation of the customer. Collateral held may include accounts receivable, inventory, property, plant and equipment, and income-producing commercial properties.

Financial standby letters of credit are conditional commitments issued by the State to guarantee the performance of a customer to a third party. Those guarantees are primarily issued to support public borrowing arrangements. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. The likelihood of funding any of these letters of credit is considered to be remote. The State generally holds collateral supporting those commitments it deemed necessary.

Financial standby letters of credit include letters of credit pledged for public deposits by North Dakota banks for \$266,825,000 at December 31, 2014. These letters of credit are an authorized form of collateral for public deposits per NDCC 21-04-09.

### **COMMUNITY WATER FACILITY LOAN FUND**

In the normal course of business, the Loan Fund makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of \$9,265,000 at December 31, 2014.

### **MEDICAL FACILITY INFRASTRUCTURE LOAN PROGRAM**

In the normal course of business, the Loan Fund makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of \$39,954,000 at June 30, 2015.

### **NORTH DAKOTA HOUSING FINANCE AGENCY**

In the normal course of business, the Agency makes various commitments that are not reflected in the financial statements. These include commitments to extend credit and the debt reduction required when related loan acquisition funds are not drawn down within prescribed time frames set by the specific bond resolution.

Commitments to extend credit are agreements to fund loans as long as there is no violation of any condition established in the contracts. Commitments require the payment of a reservation fee and generally have a fixed

# STATE OF NORTH DAKOTA

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expiration date. Commitments to extend credit total \$49,241,000 at June 30, 2015.

The bond resolutions require that the funds in the loan acquisition accounts be expended within 42 months of the related bond delivery date. Any remaining funds must be used for debt reduction. The loan acquisition funds totaled \$30,786,000 at June 30, 2015.

## PUBLIC FINANCE AUTHORITY

In the normal course of business, the Finance Authority (a component unit) makes various commitments that are not reflected in the financial statements. These commitments include commitments to extend credit of \$265,932,000 at December 31, 2014.

## **NOTE 13 - INTEREST RATE SWAP**

### BANK OF NORTH DAKOTA

The Bank has an outstanding interest rate swap agreement with a notional amount totaling \$50,000 to convert variable rate federal funds into fixed-rate instruments over the term of the contract.

On June 5, 2014 the bank entered into a swap agreement which matures on June 1, 2029, and the swap's notional amount is \$50,000. Under the terms of the swap, the Bank pays the counterparty a fixed payment of 2.861% and receives a variable payment based on the USD-FEDERAL FUNDS-H.15 interest rate.

At December 31, 2014, the swap has a negative fair value of \$4,443 because interest rates have declined since the swap was executed. Fair values for interest rate swap agreements are based upon the amounts required to settle the contracts.

At December 31, 2014, the Bank was not exposed to credit risk because the swap had negative fair value. However, should interest rates change such that the fair value of the swap becomes positive, the Bank would be exposed to credit risk in the amount swap's fair value. At December 31, 2014, the swap counterparty was rated Aa3 by Moody's Investor Services. To mitigate the potential for credit risk, the counterparty would be required to fully collateralize the fair value of the swap by depositing funds with the Bank.

The Bank is exposed to interest rate risk on its swap agreement. On its pay-fixed, receive variable interest rate swap, the Bank's net payment increases as the USD-FEDERAL FUNDS-H.15 interest rate decreases.

Either the Bank or its counterparties may terminate the interest rate swap if the other party fails to perform under the terms of the contract. Termination could result in the Bank being required to make a payment of the fair value of the swap to counterparty.

The following table summarizes the derivative financial instrument utilized at December 31, 2014:

	Notional Amount	Fair Value		Changes in Fair Value	
		Classification	Amount	Classification	Amount
Pay-fixed interest rate swap	\$50,000,000	Other liabilities	\$(4,443,000)	Deferred	\$(4,443,000)

Using rates as of December 31, 2014, the interest expense of the variable rate federal funds and the net swap payments are as follows. As rates vary, the federal fund interest expense and the net swap payments will vary.

Year Ended December 31:	Federal Fund	Interest Rate	Total
2015	\$ 63,000	\$ 1,401,000	\$ 1,464,000
2016	63,000	1,401,000	1,464,000
2017	63,000	1,401,000	1,464,000
2018	63,000	1,401,000	1,464,000
2019	63,000	1,401,000	1,464,000
2020-2024	315,000	7,005,000	7,320,000
2025-2029	281,000	6,302,000	6,583,000
	<u>\$ 911,000</u>	<u>\$ 20,312,000</u>	<u>\$ 21,223,000</u>

# STATE OF NORTH DAKOTA

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## NORTH DAKOTA HOUSING FINANCE AGENCY

As a means to lower its borrowing costs, when compared against fixed-rate bonds at the time of issuance, the Agency entered into several cash flow hedges or swaps in connection with various variable-rate housing bond series. The Agency cash flow hedges are pay-fixed. The intention of these swaps was to effectively change the Agency's interest rate on the bonds to a fixed rate. The Agency also has cash flow hedges that were entered into in connection with variable-rate housing bond series that no longer have bonds outstanding as those bonds have been called. The cash flow hedges that are not connected to a specific bond series hedge the risk related to the Agency's other variable-rate housing bonds that are unhedged.

The bonds and the related swap agreements have a stated issuance and maturity date. Some of the swaps have optional termination dates. Under the swaps, the authority pays the counterparty a fixed payment and receives a variable payment computed as a percent of the London Interbank Offered Rate (LIBOR) plus a fixed percentage on the swap notional amount. On the other hand, the bond's variable-rate coupons are determined by the remarketing agent. If for any reason the remarketing agent fails to act, the rate shall be the lesser of (i) the TBMA Index plus 0.25% or (ii) the Maximum Rate as defined within the applicable series resolution.

As of June 30, 2015, the Agency did not have any swaps that had a positive fair value. Of the swaps with negative fair value, the Agency is not exposed to credit risk. However, the swap exposes the Agency to basis risk should the relationship between LIBOR and TBMA converge, changing the synthetic rate on bonds. The swap counterparty has guaranteed all payments and is rated AAa/AA+/AAA by Moody's Investor Services, Standard & Poor's, and Fitch, respectively. To mitigate potential credit risk, the counterparty has entered into Credit Support Agreements with Bank of New York Mellon and the Royal Bank of Canada as a credit enhancement.

The Agency has entered into netting arrangements whenever it has entered into more than one derivative instrument transaction with a counterparty. Under the terms of these arrangements netting provisions permit each party to net the transactions' fair values so that a single sum will be owed by, or owed to, the other party. At June 30, 2015, the Agency owed the swap providers a fixed rate on the notional amount of the swaps of \$2,279,000 and the swap providers owed the Agency a variable rate on the notional amounts of \$152,000 making the net payment that the Agency owed the swap providers \$2,127,000.

Due to the difference in the variable rate indices, the swaps had a net negative fair value of \$8,985,000 as of June 30, 2015. Accordingly, the financial derivative instrument is reported as a liability and the accumulated changes in fair value of the swaps are reported as a deferred outflow at June 30, 2015. The coupon on the government's variable-rate bonds adjust to changing interest rates, the bonds do not have a corresponding fair value increase. All valuations are as of the valuation date indicated. Mid-Market or indicative unwind valuations may be derived from broker quotations or from proprietary models that take into consideration estimates about relevant present and future market conditions as well as the size and liquidity of the position and any related actual or potential hedging transactions. Valuations based on other models or different assumptions may yield different results.

The swap exposes the Agency to basis risk should the relationship between LIBOR and the actual variable rates converge, changing the synthetic rate on the bonds. The effect of this difference in basis is indicated by the difference between the intended synthetic rate and the synthetic rate as of June 30, 2015. If a change occurs that results in the rates' moving to convergence, the expected cost savings may not be realized.

The derivative contract uses the International Swap Dealers Association Master Agreement, which includes standard termination events, such as failure to pay and bankruptcy. The Schedule to the Master Agreement includes an "additional termination event." That is, the swap may be terminated if counterparty's credit quality rating falls below "A3" as issued by Moody's Investors Service or "A-" as issued by Fitch Ratings or Standard & Poor's. The swap may be terminated at any time by the Agency or the counterparty with 30 days written notice up to limits specified in the swap agreement. If the swap or swaps were terminated, the variable-rate bonds would no longer carry a synthetic interest rate. Also, if at the time of terminations the swap has a negative fair value, the Agency would be liable to the counterparty for payment equal to the swap's fair value, but in the event the fair value is positive, the counterparty would be liable to the Agency.

The Agency is exposed to rollover risk on hedging derivative instruments that are hedges of debt that mature or may be terminated prior to maturity of the hedged debt. When these hedging derivative instruments terminate, or in the case of a termination option, if the counterparty exercises its option, the Agency will be re-exposed to the risks being hedged by the hedging derivative instrument. The Agency also is exposed to rollover risk on the swaps that mature and the Agency does not call the related variable rate debt.

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1. Bond Series	2005 C	2006 A	2008 A	2008 B
2. Issuance Date	9/21/2005	5/4/2006	2/26/2008	2/26/2008
3. Maturity Date	1/1/2036	7/1/2016	1/1/2017	7/1/2038
4. Notional Amount	\$12,000,000	\$30,210,000	\$13,700,000	\$8,285,000
5. Variable-rate Bonds	\$12,000,000	\$27,625,000	\$13,155,000	\$12,735,000
6. Fixed Rate	3.889%	3.955%	3.198%	4.725%
7. LIBOR Percentage	63.00%	63.00%	63.00%	100.00%
8. Additional Percentage	0.31%	0.31%	0.32%	0.00%
9. Bonds Variable-rate	0.08000%	0.09000%	0.06000%	0.13000%
10. Fair Value	\$(428,000)	\$(1,553,000)	\$(702,000)	\$(1,053,000)
11. Percentage of LIBOR	0.31000%	0.31000%	0.32000%	0.00000%
12. Synthetic Rate	3.65900%	3.73500%	2.93800%	4.83500%
13. Actual Synthetic Rate	3.74422%	3.79984%	2.96615%	5.03533%
14. Change in Fair Value	\$(180,000)	\$(691,000)	\$(440,000)	\$(846,000)
15. Optional Termination Date	1/1/2016	N/A	N/A	1/1/2020

1. Bond Series	2008 D	2009 B	2014 B	2015 C
2. Issuance Date	8/5/2008	7/30/2009	6/24/2014	10/1/2015
3. Maturity Date	7/1/2039	1/1/2025	7/1/2044	1/1/2046
4. Notional Amount	\$21,850,000	\$34,070,000	\$27,055,000	\$ -
5. Variable-rate Bonds	\$21,850,000	\$47,745,000	\$27,055,000	\$17,700,000
6. Fixed Rate	3.919%	3.108%	2.890%	2.486%
7. LIBOR Percentage	63.70%	64.70%	65.80%	66.20%
8. Additional Percentage	0.20%	0.23%	0.17%	0.10%
9. Bonds Variable-rate	0.06000%	0.06000%	0.06000%	0.07730%
10. Fair Value	\$(2,015,000)	\$(1,258,000)	\$(1,767,000)	\$(209,000)
11. Percentage of LIBOR	0.20000%	0.23000%	0.17000%	0.10000%
12. Synthetic Rate	3.77900%	2.93800%	2.78000%	2.46330%
13. Actual Synthetic Rate	3.74074%	2.84718%	2.73729%	N/A
14. Change in Fair Value	\$(1,693,000)	\$(200,000)	\$(1,356,000)	\$(209,000)
15. Optional Termination Date	1/1/2018	7/1/2016	N/A	7/1/2020

Using rates as of June 30, 2015, debt service requirements of the variable-rate debt and new swap payments are as follows. Interest calculations were based on rates as of June 30, 2015. As rates vary, variable-rate bond interest payments and net swap payments will vary. (Expressed in thousands.)

Fiscal Year Ending June 30	Variable-Rate Bond		Interest Rate Swap, Net	Total
	Principal	Interest		
2016	\$ 5,350	\$ 116	\$ 4,970	\$ 10,436
2017	43,650	96	3,782	47,528
2018	2,360	90	3,500	5,950
2019	1,865	89	3,430	5,384
2020	3,925	86	3,340	7,351
2021-2025	37,465	373	14,177	52,015
2026-2030	3,230	300	12,399	15,929
2031-2035	16,090	265	10,840	27,195
2036-2040	44,105	149	5,652	49,906
2041-2045	20,715	34	1,274	22,023
2046-2050	1,110	-	4	1,114
	<b>\$ 179,865</b>	<b>\$ 1,598</b>	<b>\$ 63,368</b>	<b>\$ 244,831</b>

# STATE OF NORTH DAKOTA

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## **NOTE 14 – SIGNIFICANT CONCENTRATIONS OF CREDIT RISK**

Most of the State's business is with customers within the state. Concentrations of credit are present in the construction and operation of community water facilities, developmentally disabled facilities, loans to students for post-secondary education, single-family and multifamily mortgage loans, and the agricultural industry. Due to the pervasive nature of agriculture in the economy of the state, all loans, regardless of type, are impacted by agriculture.

## **NOTE 15 – RISK MANAGEMENT**

Several funds accumulate assets to cover risks that the State may incur. Specifically, the State assumes a portion or substantially all risks associated with the following:

### **THE STATE FIRE AND TORNADO FUND**

The State Fire and Tornado Fund, an Enterprise Fund, is financed by premiums charged to the participating funds of the State. All monies collected must be paid into the fund for use only for the purpose outlined in NDCC 26.1-22.02.

All losses occasioned by the hazards provided for in the North Dakota Century Code must be paid out of the fund, with the fund being reimbursed by a third-party insurance carrier for all losses in excess of \$1,000,000 per occurrence. The limit of liability of such reinsurance contract is no less than \$1,000,000 during each twelve month period.

### **STATE BONDING FUND**

The State Bonding Fund, an Enterprise Fund, is financed by premiums charged to each State agency for the bonding of public employees and public officials.

### **FLEET SERVICES**

Fleet Services, an Internal Service Fund, represents the State's fleet of automobiles and is administered by the Department of Transportation. The State is self-insured for substantially all automobile insurance (e.g., comprehensive, collision), with the exception of liability, which is provided by the State's Risk Management Fund (RMF). State agencies are charged premiums to cover Fleet Service's RMF assessment and to pay for those losses that are not covered by RMF. These premium charges are factored into the fees agencies are charged when renting the cars.

## **WORKFORCE SAFETY & INSURANCE**

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a State insurance fund and a "no fault" insurance system, covering the State's employers and employees. WSI is financed by premiums assessed to employers. The rate of such premiums is periodically adjusted to assure the solvency of WSI. The premiums are available primarily for the payment of claims to employees injured in the course of employment. During fiscal year 2015, a total of \$248,084,909 in claims was recognized. Incurred but not reported claims of \$1,096,674,000 have been accrued as a liability based primarily upon actuarial estimates.

### **RISK MANAGEMENT FUND**

Due to the loss of sovereign immunity, the 1995 Legislature established the Risk Management Fund (RMF) to pay money damages for tort claims for which the State is liable. The statutory liability of the State is limited to a total of \$250,000 per person and \$1,000,000 per occurrence. The State purchases commercial insurance for claims in excess of coverage provided by the Fund and continues to transfer liabilities for medical malpractice and aviation to private insurance carriers. Settlements have not exceeded insurance coverage in any of the past three fiscal years.

Revenues to the RMF are generated from contributions required from state agencies, boards and commissions, and the University System. The need for and amount of funding is determined using a projected cost allocation approach. The premise of this plan is that the agencies with greater expected loss costs should contribute more to the funding of the RMF than those agencies with lesser costs. The underlying logic is that contributions should roughly equal loss costs plus the expenses of administering the program over the long term.

The RMF liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Unpaid claim liabilities are based on an actuarial study of the outstanding loss reserve need for the fund and a forecast of ultimate loss and loss expense. These liabilities were determined on an undiscounted expected level of ultimate loss. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrines, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities will be re-evaluated periodically to take in consideration settled claims, the frequency of claims, and other economic and social factors.

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The following table presents the changes in claims liabilities balance for the fiscal years ending June 30, 2013, and June 30, 2015:

Fiscal Year	Beginning Balance	Current Year Claims and Changes In Estimates	Claims Payments	Ending Balance
2014	\$ 1,647,808	\$ 426,098	\$ 359,611	\$ 1,714,295
2015	1,714,295	423,097	356,611	1,780,781

The Risk Management Workers Compensation Program (WCP) was established to consolidate all state entities under one workers compensation account, allowing for transitional duty between entities. The statutory liability of the fund is limited to \$100,000 per claim with Workforce Safety & Insurance, providing excess insurance for claims that exceed the \$100,000 cap. WCP pays separately for this coverage. Since the inception of WCP on July 1, 2001, thirty claims exceeded coverage by \$9,117,698.

Revenues to WCP are generated from contributions required from state agencies, boards, commissions, and the University System. The amount contributed from each agency is actuarially determined by Workforce Safety & Insurance and based upon the number of employees, the type of work done, and claims history of

each entity. Each entity also pays a deductible of \$250 per claim.

The WCP liabilities are reported when it is probable that a loss has occurred and the amount of that loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Because actual claims liabilities are affected by complex factors including inflation, changes in legal doctrine, and unanticipated damage awards, the process used in computing claims liabilities does not necessarily result in exact amounts. Claims liabilities will be re-evaluated periodically to take into consideration settled claims, the frequency of claims, and other economic and social factors. An actual study was performed for Workforce Safety & Insurance. The liability estimates are based on that study.

The following table presents the changes in claims liabilities balance for the fiscal year ending June 30, 2015:

Fiscal Year	Beginning Balance	Current Year Claims and Changes in Estimates	Claims Payments	Ending Balance
2014	\$ 5,733,080	\$ 5,106,019	\$ 4,553,350	\$ 6,285,749
2015	6,285,749	3,675,792	4,045,442	5,916,099

# STATE OF NORTH DAKOTA

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## **NOTE 16 – PUBLIC ENTITY RISK POOLS**

### **A. GENERAL**

#### **FIRE AND TORNADO AND BONDING FUND**

The Fire and Tornado Fund provides property insurance to state agencies, political subdivisions, the International Peace Garden and the Winter Show. The Fire and Tornado Fund has issued 1,145 policies to participating entities for a total building and content coverage of \$12.36 billion. The Bonding Fund is used to provide fidelity bonding of public employees and officials. The Fund has issued 2,397 policies to participating entities. The total coverage for the Bonding Fund is \$628.67 million. If the assets of these funds were exhausted, fund participants would not be responsible for the funds' liabilities.

The Fire and Tornado and Bonding Fund are accounted for on the accrual basis. The Fire and Tornado Fund establishes claim liabilities based on estimates of the ultimate cost of claims that have been reported but not settled, and of claims incurred but not reported. The Bonding Fund establishes claim liabilities based on actual judgments obtained against the fund but not paid prior to fiscal year end. Liabilities for incurred but not reported losses have not been established based on prior year activity. Neither fund incurred any acquisition costs, which should have been capitalized, nor were any liabilities recognized that were discounted. Investment income was not considered in determining the existence of premium deficiencies.

The Fire and Tornado Fund uses reinsurance agreements to reduce its on covered losses in excess of \$1.0 million. Reinsurance permits recovery of a portion of losses from reinsurers, although it does not discharge the primary liability of the Fund as direct insurer of the risks that are reinsured. The Fire and Tornado Fund does not report reinsured risks as liabilities unless it is probable that those risks will not be covered by reinsurers. The amount recoverable on pending losses at June 30, 2015 was \$375,000 reducing the Funds' liability.

#### **WORKFORCE SAFETY & INSURANCE**

Workforce Safety & Insurance (WSI), an Enterprise Fund, is a state insurance fund and a "no fault" insurance system covering the State's employers and employees. At June 30, 2015, coverage extended to the following employers:

<u>Annual Premium</u>	
\$250 - \$5,000	18,297
\$5,001 - \$50,000	6,067
\$50,001 - \$100,000	588
Over \$100,000	568
<b>Total Employers</b>	<b>25,520</b>

WSI is financed by premiums assessed to the employers of North Dakota. The premiums are available primarily for the payment of claims to employees injured in the course of employment.

The operations of WSI are accounted for on the accrual basis. Liability for incurred but not reported and incomplete claims and claims expense is estimated by WSI's actuary. The estimate is developed by WSI's actuary, taking into consideration past experience of WSI in paying claims, and general conditions of the environment in which WSI operates. The liability includes estimates of costs to settle individual claims that have been reported, plus a provision for losses incurred but not yet reported and includes the effects of inflation and other societal and economic factors. WSI records the liability at a discounted amount.

As adjustments to this estimated liability become necessary, such adjustments are reflected in current operations. Management believes the estimated liability for losses and loss adjustment expense is sufficient to cover the ultimate net cost of incurred claims, but such reserves are necessarily based on estimates and the ultimate liability may be greater or less than the amounts estimated.

For the year ended June 30, 2015, the actuary presented an estimate in the form of a range to emphasize the uncertainty for a "long-tailed" liability insurer such as workers' compensation. These ranges are as follows (expressed in thousands):

	<u>Low</u>	<u>Expected Value</u>	<u>High</u>
Full Value Basis (undiscounted)	\$ 1,630,595	\$ 1,824,275	\$ 1,960,103
Present Value Basis (discounted) at 5% rate)	\$ 985,267	\$ 1,096,674	\$ 1,182,176

WSI has adjusted the estimated liability for unpaid loss and loss adjustment expense to the actuary's five percent discounted expected value of \$1,096,674,000 at June 30, 2015.

While management has recorded amounts that fall within the ranges of estimated liabilities as computed under actuarial assumptions, the high level of uncertainty indicates that actual losses and expenses could be materially higher than the recorded estimated liability.

WSI did not incur any acquisition costs that should have been capitalized at June 30, 2015.

WSI has entered into a contract with an intermediary for reinsurance coverage for catastrophic coverage. The first layer projects against claims that exceed \$3 million; the second layer for claims that exceed \$5 million; the third layer for claims that exceed \$10 million and the fourth layer for claims that exceed \$20 million. Terms, limits and pricing are re-evaluated annually.

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## B. RECONCILIATION OF CLAIMS LIABILITIES

The following is a reconciliation of total claims liabilities, including an analysis of changes in aggregate liabilities for claims and claim adjustment expenses for the current fiscal year and the prior year (expressed in thousands):

	Fire And Tornado		Bonding		Workforce Safety & Ins	
	2015	2014	2015	2014	2015	2014
Unpaid claims and claims adjustment expenses at the beginning of the year	\$ 2,133	\$ 2,188	\$ 72	\$ 42	\$ 1,052,806	\$ 958,709
Incurred claims and claims adjustment expenses:						
Provision for current fiscal year	1,516	997	94	39	314,612	337,537
Change in provision for prior fiscal year	393	499	-	-	(39,387)	(2,546)
Payments and claims and adjustment expenses attributable to:						
Current fiscal year insured events	(938)	(562)	35	33	(60,697)	(64,846)
Prior fiscal years' insured events	(2,288)	(989)	(72)	(42)	(133,258)	(130,675)
Total Payments	(3,226)	(1,551)	(37)	(9)	(193,955)	(195,521)
Change in provision for discount	-	-	-	-	(37,402)	(45,373)
Total unpaid claims and claims adjustment expenses at the end of the year	\$ 816	\$ 2,133	\$ 129	\$ 72	\$ 1,096,674	\$ 1,052,806

## NOTE 17 – BANK OF NORTH DAKOTA

GASB Statement No. 34 requires assets and liabilities of enterprise funds be presented in a classified format to distinguish between current and long-term assets and liabilities. The Bank of North Dakota is the only government-owned bank in the United States. Banks do not present a classified balance sheet because current assets are not matched with current liabilities. Presentation of a classified balance sheet would give the false impression that there is a liquidity problem at the bank. Presentation of a classified balance sheet for the Bank of North Dakota would be misleading to the extent that the financial statements may be materially misstated. Therefore, the balance sheet of the Bank of North Dakota presents assets and liabilities in order of their relative liquidity, rather than in a classified format.

during the then current biennium for that purpose, including any federal moneys received by the state for the construction of flood control or reduction projects to pay bonds issued for that project. If sufficient funds from these sources are not available, then from transfers to be made and appropriated by the legislative assembly from the first available current biennial earnings of the Bank of North Dakota not to exceed \$6,500,000 per biennium prorated with any other bonds payable from transfers to be made and appropriated by the legislative assembly from the available current biennial earnings of the Bank of North Dakota, to be credited by the trustee to the fund established for paying principal and interest on the bonds under a trust indenture. If the bank has to provide a transfer to the State Water Commission to make principal and interest payments on these bonds, the State Water Commission would then have to request from the next legislative assembly funding to repay the transfer made by the bank.

## NOTE 18 - COMMITMENTS AND CONTINGENCIES

### A. LONG-TERM COMMITMENTS

#### BANK OF NORTH DAKOTA

Under chapter 61-02.1-04 of North Dakota Century Code, principal and interest on State Water Commission bonds issued are payable from transfers to be made and appropriated by the legislative assembly from the water development trust fund as provided in section 61-02.1-05, then from transfers to be made and appropriated by the legislative assembly from revenues in the resources trust fund other than revenues from state taxes, then from appropriations of other available revenues in the then current biennium, and then from any other revenues the State Water Commission makes available

Chapter 6-09.7-09 provides that the Bank of North Dakota may guarantee the loan of money by banks, credit unions, lending institutions that are part of the farm credit system, and savings and loan associations in this state to eligible persons for the purchase of agricultural real estate or the restructuring of agricultural real estate loans, provided the transactions do not exceed a loan to value ratio of 80% and further provided that no single loan exceeds \$400,000. The Bank may have no more than \$8,000,000 in outstanding loan guarantees under this program. The Bank may guarantee up to 75% of the amount of principal due the lender. The guarantee term may not exceed 5 years. The Bank had no outstanding guarantees as of December 31, 2014. The Bank had no guarantee commitments outstanding as of December 31, 2014.

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Chapter 6-09.15 provides that the Bank of North Dakota provide a Beginning Entrepreneur Loan Guarantee Program. The program includes an agreement with a lender that in the event of default by a beginning entrepreneur under a note and mortgage or other loan or financing agreement, the Bank shall pay the lender the amount agreed upon up to 85 percent of the amount of principal due the lender on a loan at the time the claim is approved. The total outstanding loans that the Bank may guarantee cannot exceed 5% of the Bank's tier one capital as defined by the Department of Financial Institutions. A lender may apply to the Bank for a loan guarantee for a loan of up to \$200,000. The term of the guarantee may not exceed five years. As of December 31, 2014, the Bank has guarantees outstanding totaling \$5,200,000 and had guarantee commitments outstanding of \$394,000 included in commitments to extend credit.

H.B. 1185, Section 3 – The Bank shall transfer up to \$5,000,000 to the rebuilders loan program. As of December 31, 2013, the Bank had transferred the entire amount.

S.B. 2015, Section 7 – The Bank shall transfer up to \$28,000,000 from its current earnings and undivided profits to the partnership in assisting community expansion fund. As of December 31, 2014, the Bank had transferred \$17,800,000.

S.B. 2015, Section 8 – The Bank shall transfer up to \$2,000,000 from its current earnings and undivided profits to the agriculture partnership in assisting community expansion fund. As of December 31, 2014, the Bank had transferred \$1,900,000.

S.B. 2015, Section 10 – The Bank shall transfer up to \$6,000,000 of its current earnings and undivided profits to the beginning farmer revolving loan fund. As of December 31, 2014, the Bank had transferred \$4,400,000.

## RETIREMENT AND INVESTMENT OFFICE (RIO)

The State Investment Board has at June 30, 2015, committed to fund certain alternative investment partnerships for an amount of \$1.14 billion. Funding of \$827.1 million has been provided leaving an unfunded commitment of approximately \$308.8 million.

## MANDAN REMEDIATION TRUST

As of November 23, 2004, the North Dakota Department of Health entered into a quick start contract with Leggette, Brashears & Graham, Inc. (LBG) for the performance of remediation services. The amount of the contract was \$149,262. A master services agreement was signed on January 18, 2005, between LBG and the North Dakota Department of Health for the performance of remediation services. Mandan Remediation Trust agrees to pay LBG for services rendered under the quick start contract and the master services agreement pursuant to the Mandan Remediation Trust Agreement.

The master services agreement provides a fee schedule for consulting services and equipment use. LBG was reimbursed \$206,327 during 2014 for services rendered under the contract.

## STATE COURTS

State Courts has entered into various contracts with third parties for services. The outstanding commitment on these contracts as of June 30, 2015 is \$64,768.

## INDUSTRIAL COMMISSION

Under the Lignite Vision 21 Program, the Commission has entered into a contract for conducting pre-FEED and FEED studies with Great Northern Power Development. The balance outstanding at June 30, 2015, is \$3,572,866.

Under the Lignite Research Program, the Commission has entered into several contracts with third parties to enhance, preserve and protect North Dakota's lignite resources. The balance outstanding on these contracts at June 30, 2015 is \$4,867,213.

Under the Oil and Gas Research Program, the Commission has entered into several contracts with third parties for research and education to support the growth of the oil and gas industry. The balance outstanding on these contracts at June 30, 2015 is \$7,861,706.

Under the Renewable Energy Program, the Commission has entered into several contracts with third parties for research, development, marketing and education to support the growth of North Dakota's renewable energy industry. The balance outstanding on these contracts at June 30, 2015 is \$697,133.

Under the Outdoor Heritage Fund Program, the Commission has entered into several contracts with third parties to enhance conservation practices in the state. The balance outstanding on these contracts as of June 30, 2015 is \$15,462,168.

In addition to the contracts above, the Commission has authorized projects totaling \$5,820,620 for which there is no signed contract.

## MILL AND ELEVATOR

As of June 30, 2015, the Mill had commitments to purchase 4,156,066 bushels of spring wheat and 29,547 bushels of durum.

## PUBLIC FINANCE AUTHORITY

The Finance Authority purchased letters of credit from the Bank of North Dakota in order to fund the reserves for the Capital Financing Program Bonds. As of December 31, 2014, \$17,995,000 of credit was available through these letters of credit and no funds have been advanced.

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## HOUSING INCENTIVE FUND

The Fund makes various commitments relating to construction projects to meet unmet housing needs across North Dakota. The Fund had \$49,700,000 of signed commitments for construction projects as of June 30, 2015. The Fund had an additional \$700,000 of conditional commitments for construction projects as of June 30, 2015. The total paid on these commitments as of June 30, 2015 was \$43,336,188.

## DEPARTMENT OF HUMAN SERVICES

As of June 30, 2015, the Department of Human Services had significant commitments for the purchase of various types of services totaling \$706,098,112.

## AERONAUTICS COMMISSION

As of June 30, 2015, the Aeronautics Commission had significant commitments of approximately \$4,773,336. This amount consists of grants to political subdivisions for maintenance and improvements of their airports.

## DAIRY PRODUCTS PROMOTION COMMISSION

As of June 30, 2015, the Dairy Products Commission had significant commitments of \$150,000. This amount consists of a contract with Midwest Dairy Association to implement and administer programs intended to contribute to the betterment of North Dakota dairy farmers and the State's dairy industry. The contract also provides the Commission with administrative, financial, and reporting services.

## NORTH DAKOTA SOYBEAN COUNCIL

As of June 30, 2015, the North Dakota Soybean Council had significant commitments of \$2,265,940. This amount mainly consists of grants for the research and development of soybeans.

## STATE WATER COMMISSION

As of June 30, 2015, the State Water Commission had long-term commitments of \$350,142,952 for various water projects.

## NORTH DAKOTA LOTTERY

The Lottery contracts with a third party to provide an online gaming system and related services through June 30, 2022. Total payment for these services during the year ended June 30, 2015 were \$2,812,101 based on 10.473% of ticket sales. The Lottery's future obligation through June 30, 2022 is based on 10.473% of ticket sales, there is no minimum fee or retainer fee.

## NORTH DAKOTA DEPARTMENT OF TRANSPORTATION

At June 30, 2015, the North Dakota Department of Transportation (Special Revenue Fund) had non-construction contract commitments of approximately \$82.2 million. Construction commitments at June 30,

2015, totaled approximately \$663.0 million, of which \$145.9 million represents federal programs which are cost reimbursable. These commitments will be funded with future appropriations as work is performed.

## UNIVERSITY SYSTEMS

Contracts for the construction of various projects on behalf of the University System have been let as follows (expressed in thousands):

	Original Issue	Paid To Date	Amount To Be Paid
BSC	\$ 20,656	\$ 19,607	\$ 1,049
DSU	22	-	22
LRSC	5,370	5,339	31
MaSU	6,052	1,427	4,625
MiSU	6,373	5,728	645
NDSCS	7,493	6,755	738
NDSU	90,274	42,492	47,782
UND	185,082	124,377	60,705
VCSU	3,816	2,040	1,776
WSC	6,820	6,735	85

## DICKINSON STATE UNIVERSITY

DSU is not a guarantor on the DSU Foundation debt. However, it is reasonably possible that DSU may be liable for a portion of the DSUF debt. An estimate of the range of liability is \$0 to \$1.9 million.

## MINARD HALL

Minard Hall is the largest academic facility located in the historical district on NDSU's campus. Minard Hall experienced an unprecedented partial collapse of the north wall in the early morning hours of December 27, 2009. The partial collapse of Minard Hall's North wall, during the construction of the legislatively approved addition, resulted in a delay in the completion of the project, increased costs for construction and legal expenses, as well as numerous other issues, such as relocation of faculty, staff, and classroom space.

The SBHE approved in December 2010, plans to expand the original scope and timeline of the Minard Hall capital improvement project and subsequent collapse to include NDSU seeking legislative authorization and funding. Minard Hall construction is complete, and the building has been in full operation since the Fall 2013-14 academic term.

NDSU requested and was approved by the SBHE in November 2011 and North Dakota Legislative Budget Section in December 2011 to increase the project authorization of the Minard Hall project by \$4,874,300 from \$18,000,000 to \$22,874,300 under NDCC 48-01.2-25 and to authorize under NDCC 15-10-12.3 the additional funding from insurance proceeds, legal settlements, and other available funds.

During the 64<sup>th</sup> Regular Legislative Assembly, NDSU sought and received an additional \$600,000 in project authorization due to the filing of a lawsuit by a contractor

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against NDSU. Authorization was increased from \$22,874,300 to \$23,474,300 for related costs. In July 2015, all three litigations relating to the Minard Hall project were settled by NDSU pursuant to authority granted by the SBHE. As a result of the settlements, NDSU paid one contractor the sum of \$220,000 and NDSU received from various other entities the sum of \$3,020,000. All settlement payments have been made, and the litigations have been dismissed.

Legal settlement proceeds will be less than the total expenditures on the project, and NDSU will seek direction from the NDUS Chancellor for options to pay the deficit of \$1,634,853 including a possible request for a deficiency appropriation.

## NORTH DAKOTA DEVELOPMENT FUND

The board of directors has approved equity investments, loans, grants, and guaranty of collections at June 30, 2015, for which funds have not been disbursed or written agreements entered into in the amount of \$4,877,763.

## OTHER CONSTRUCTION COMMITMENTS

Secretary of State	\$ 182
Office of Attorney General	1,460
ND School for the Deaf	75
Department of Human Services	56,055
Highway Patrol	675
Adjutant General	17,598
Historical Society	437
Game and Fish Department	245
Water Commission	30
Department of Transportation	395,269

## **B. LITIGATION**

The estimated loss in all of the litigation against the State in which a loss to the State was probable was zero. Litigation that is reasonably possible to result in an unfavorable outcome is estimated at a range of \$1,595,000 to \$5,900,000.

The estimated gain in all the litigation brought by the State in which a gain is probable is estimated at a range of \$3,000,000 to \$10,000,000.

In November 1998, the North Dakota Attorney General joined forty-five other states and five territories in a settlement agreement against the nation's largest tobacco manufacturer. The Master Settlement Agreement includes base payments to states totaling \$220.6 billion for the next 25 years, and continues in perpetuity. North Dakota's share of the settlement is expected to be \$866 million over the next 25 years. The amount of the annual payment is subject to a number of modifications, including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), or

other adjustments will likely cause decreases in the payments (e.g., volume adjustments). The net effect of these adjustments on future payments is unclear.

The State has settled cases before June 30, 2015, in which the settlement of \$523,000 has not been paid as of June 30, 2015.

## **C. QUESTIONED COSTS**

The State receives federal financial assistance which is subject to review and audit by the Office of the State Auditor and the federal government. This assistance is generally conditioned upon compliance with certain laws and regulations. Disallowed and questioned costs relating to federal assistance could become a liability to the State. The State estimates that the ultimate disallowances pertaining to federal assistance, if any, will be immaterial to its overall financial condition.

The single audit of the State of North Dakota for the two-year period ending June 30, 2014, was completed and issued in December of 2014. As a result of this audit, approximately \$53,250 of identifiable questioned costs was noted. Also, there were several findings which had potentially significant, unknown, questioned costs. The State is cooperating with the federal government to resolve the findings and is optimistic these findings will not have a material impact on the State.

## **NOTE 19 - SUBSEQUENT EVENTS**

### BANK OF NORTH DAKOTA

In April 2015, the Bank entered into an interest rate swap with SunTrust Bank which resulted in a fixed rate funding commitment on \$50 million for 15 years. This transaction was completed to hedge fixed rate mortgage and DEAL loans. The Bank also has another interest rate swap for the same purpose with a notional amount of \$50 million with Wells Fargo. The market value adjustments on these transactions are reported as an adjustment to Other Comprehensive Income. As of October 31, 2015, the market value position of these two transactions was a net loss of (\$5,147,447).

The 2015 legislature used a total of \$157.875 million appropriated from the Bank's capital as the funding source for several bills. These programs funded through BND's capital include the Infrastructure Loan Fund (\$100 million), the BND administered special loan programs (PACE, etc.) (\$40 million), the Housing Incentive Fund (\$5 million plus an additional \$5 million should BND's earnings surpass \$130 million), and the buydown for the School Construction Loan Program (\$7.875 million).

The 2015 legislature authorized a new Medical Pace Program with a \$32,000,000 overall limit. The buydown for this Program will be part of the amount set aside for Special Loan Programs as well as the transfer of funds that were unused in the previous biennium. So far, BND's portion of loan commitments for 2 ND Hospitals

# STATE OF NORTH DAKOTA

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totals \$10.5 million, which will use \$5,688,850 in interest buydown.

The 2015 Legislature authorized a transfer of \$100 million from BND to fund an Infrastructure Loan Fund for North Dakota Cities and Counties. They also transferred an additional \$50 million from the Strategic Infrastructure and Improvement Fund to this same revolving loan fund. The application period for North Dakota Communities was started on September 21<sup>st</sup> and runs through November 30<sup>th</sup>.

The 2015 Legislature approved \$5 million from BND's capital to be deposited into the Housing Incentive Fund, which was removed from retained earnings and deposited on September 14, 2015. Another \$5 million contribution from BND to the Housing Incentive Fund is contingent upon BND earning at least \$130 million in 2015.

The 2015 Legislature approved \$7,875,000 from BND's capital to fund the interest buydown during the 2015-2017 biennium on up to \$250,000,000 of school construction loans. BND has committed loan funds to 8 districts totaling \$67,273,858 that will use \$2,492,511 in interest buydown. Another \$11 million of loans to two school districts are pending that will use an additional \$256,245 of buydown during the 15-17 biennium.

The 2015 Legislature allowed the State Water Commission to borrow from BND in the amount of \$56 million to defease an outstanding bond issue and to provide a credit line to the State Water Commission in the amount of \$200 million. BND funded a loan for \$45,840,221.42 on July 29, 2015 to defease the bonds and committed to the \$200 million credit line on July 7, 2015.

The 2015 Legislature approved the funding for the PACE and Beginning Farmer Loan Programs at \$40 million and approved the funding source as BND's retained earnings. The breakdown of the amount approved in each program is as follows: Ag PACE \$3 million, Flex PACE \$10 million, Affordable Housing Flex PACE \$12 million, PACE \$6 million, Biofuels PACE \$2 million and Beginning Farmer \$7 million.

As of October 31<sup>st</sup>, \$8.6 million of the \$40 million appropriation for the 2015-2017 biennium has been drawn from BND's retained earnings to fund the interest buy-down in these loan programs. Withdrawals from retained earnings since January 1, 2015 total \$15.2 million.

## NORTH DAKOTA HOUSING FINANCE AGENCY

The Agency securitized mortgage loans to create mortgage backed securities which were sold for proceeds of \$10.6 million subsequent to year end.

Subsequent to yearend, the Agency issued \$70 million of bonds payable for the home mortgage program.

## WATER COMMISSION

The Commission paid all outstanding balances of their bond payable on August 1, 2015. The Commission paid \$13.5 million on 2005 Series A bonds payable and \$39 million on 2005 Series B bonds payable. These bonds payable were paid off by the Commission acquiring a note payable with the Bank of North Dakota for \$45.8 million. The note payable has a variable interest rate and 15 year term.

## UNIVERSITY SYSTEMS

### **DICKINSON STATE UNIVERSITY FOUNDATION**

The Office of Attorney General requested the commencement of dissolution of the DSUF based on a recommendation from the receiver. At this time, it is anticipated the dissolution of the DSUF will be completed by September 30, 2016.

### **DICKINSON STATE HERITAGE FOUNDATION**

On October 16, 2015, the Dickinson State Heritage Foundation was established to replace the Dickinson State University Foundation. The new foundation is a legally separate, tax-exempt organization providing support and recognition to DSU. The foundation has an 18-member board of directors. The Interim President of DSU serves as an ex-officio member of the board.

## UNIVERSITY OF NORTH DAKOTA

On August 18, 2015, UND issued \$38,055,000 of Housing and Auxiliary Facilities Revenue Bonds. The issuance was used to advance refund the 2006 Housing and Auxiliary Facilities Revenue Bonds and pay cost of issuance. The bonds mature in 2035 and carry interest rates from 3.00 percent to 4.00 percent. The 2006 bonds were issued to finance the construction of University Place residence hall, a parking garage and Squires Dining Center renovations.

## COMMUNITY WATER FACILITY LOAN PROGRAM

As of October 31, 2015, the cash available in loans is \$14.9 million with 5 loan commitments totaling \$5.8 million.

## GUARANTEED STUDENT LOAN PROGRAM

Subsequent to June 30, 2015, the program received a transfer of \$5 million from the North Dakota Loan Trust. These funds have been designated by the Industrial Commission for future claims.

## MEDICAL FACILITY INFRASTRUCTURE LOAN FUND

As of October 31, 2015, the outstanding commitments to four hospitals totaled \$40 million. One loan commitment for \$10 million was funded June 1, 2105.

## REBUILDERS LOAN PROGRAM

As of October 31, 2015, the outstanding loans total \$44.8 million to 1,547 borrowers.

# STATE OF NORTH DAKOTA

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## STUDENT LOAN TRUST

The 2015 Legislature approved the withdrawal of over \$7.5 million to provide funding for:

- ND University System Programs - \$3.5 million
- Dept. of Health Dental Loans Repayment -\$350 thousand
- Dept. of Commerce Tribal College Grants - \$1 million
- Addiction Counseling - \$200 thousand
- Matching Grants for Advancement Initiative - \$2.5 million

## FARM FINANCIAL STABILITY LOAN PROGRAM

This Program was introduced and approved by the Industrial Commission in November with a December 1, 2015 start date. This program provides below market interest rates and extended terms to North Dakota farmers who have been impacted by low commodity prices or below average crop production. The Bank of North Dakota has set an overall limit of \$300 million for this program, with individual limits of \$750,000 on chattel loans or \$1.5 million on farm real estate loans. Borrowers under this program can choose between a fixed rate of 3.75% for 5 years or a variable rate of 1% below the Bank's Base Rate (Currently 3.25%-1.00%=2.25%).

## PUBLIC FINANCE AUTHORITY

Subsequent to June 30, 2015, the Authority issued the following bonds.

\$1,945,000 of Capital Financing Program Bonds, Series 2015A. The bonds are payable in annual principal payments and semi-annual interest payments through 2029. The interest rate on the bonds vary from 3.0% to 4.0%.

\$119,195,000 of State Revolving Fund Program Bonds, Series 2015A. The bonds are payable in annual principal payments and semi-annual interest payments through 2035. The interest rate on the bonds vary from 3.0% to 5.0%.

\$25,620,000 of Capital Financing Program Bonds, Series 2015B. The bonds are payable in annual principal payments and semi-annual interest payments through 2035. The interest rate on the bonds vary from 2.0% to 5.25%.

\$32,280,000 of Capital Financing Program Bonds, Series 2015C. The bonds are payable in annual principal payments and semi-annual interest payments through 2036. The interest rate on the bonds vary from 2.0% to 5.0%.

## HOUSING INCENTIVE FUND

Subsequent to year end, the Fund made additional commitments for construction projects of \$34,708,123. These commitments are dependent upon on the Fund receiving enough contributions from taxpayers to fund the projects and the projects meeting the final construction requirement to receive those funds.

## **NOTE 20 – NEW PRONOUNCEMENTS**

The State implemented the following new pronouncement for fiscal year 2015:

GASB Statement No. 68, "Accounting and Financial Reporting for Pensions", is effective for financial statements for periods beginning after June 15, 2014. This statement establishes accounting and financial reporting requirements related to pensions for governments whose employees are provided with pensions through pension plans that are covered by the scope of this statement, as well as for non-employer governments that have a legal obligation to contribute to those plans. This statement establishes a definition of a pension plan that reflects the primary activities associated with the pension arrangement-determining pensions, accumulating and managing assets dedicated for pensions, and paying benefits to plan members as they come due.

GASB Statement No. 69, "Government Combinations and Disposals of Government Operations", establishes accounting and financial reporting standards related to government combinations and disposals of government operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged.

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement date, an amendment of GASB Statement No. 68* requires that, at transition, a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning new pension liability. The provisions of this Statement should be applied simultaneously with the provisions of Statement No. 68, which is effective for periods beginning after June 15, 2014.

The State will implement the following new pronouncements for fiscal years ending after 2015:

GASB Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. The Statement provides guidance for determining fair value measurement for reporting purposes and for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this

## STATE OF NORTH DAKOTA

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Statement are effective for financial statement periods beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes requirements for defined benefit pensions that are not within the scope of Statement No. 68, *Accounting and Financial Reporting for Pensions*, as well as for the assets accumulated for purposes of providing those pensions. In addition, it establishes requirements for defined contribution pensions that are not within the scope of Statement 68. It also amends certain provisions of Statement No. 67, *Financial Reporting for Pension Plans*, and Statement 68 for pension plans and pensions that are within their respective scopes. The requirements of this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016, and the requirements of this Statement that address financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015. The requirements of this Statement for pension plans that are within the scope of Statement 67 or for pensions that are within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2015. Earlier application is encouraged.

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement is effective for financial statements for fiscal years beginning after June 15, 2016. Earlier application is encouraged.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement is effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged.

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, is to identify, in the context of the current governmental financial reporting environment, the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources

of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. This Statement is effective for reporting periods beginning after June 15, 2015. Earlier application is permitted.

GASB Statement No. 77, *Tax Abatement Disclosures*, Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources come from and how it uses them, and (4) a government's financial position and economic condition and how they have changed over time. This Statement is effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged.

# Required Supplementary Information

# STATE OF NORTH DAKOTA

## Required Supplemental Information Budgetary Comparison Schedule General Fund For the Biennium Ended June 30, 2015

	Approved Budget 2013-2015 Biennium	Appropriation Adjustments 2013-2015 Biennium	Adjusted Budget 2013-2015 Biennium	Actual Biennium To Date Thru 6-30-15	Difference Uncollected/ Unspent Thru 6-30-15
<b>Budgetary Fund Balance, July 1</b>	\$ 1,472,798,236	\$ -	\$ 1,472,798,236	\$ 1,266,656,733	\$ (206,141,503)
<b>Resources (Inflows):</b>					
Sales and Use Tax	2,472,947,500	25,618,600	2,498,566,100	2,478,246,782	(20,319,318)
Income Tax	1,175,394,000	216,912,450	1,392,306,450	1,485,305,630	92,999,180
Financial Institutions Tax		(4,871,446)	(4,871,446)	(4,985,620)	(114,174)
Oil And Gas Production Tax	146,071,108	-	146,071,108	146,071,108	-
Oil Extraction Tax	153,928,892	-	153,928,892	153,928,892	-
Insurance Premium Tax	73,352,976	11,574,079	84,927,055	92,526,177	7,599,122
Cigarette, Cigar and Tobacco Tax	57,953,000	1,558,291	59,511,291	60,262,693	751,402
Wholesale Liquor Tax	19,142,000	(820,981)	18,321,019	18,704,869	383,850
Coal Conversion Tax	39,300,000	(424,764)	38,875,236	40,767,149	1,891,913
Gaming Tax	8,174,696	(1,076,903)	7,097,793	7,195,937	98,144
Lottery	11,000,000	3,200,000	14,200,000	13,300,000	(900,000)
Department Fees and Collections	74,394,098	4,212,471	78,606,569	83,270,753	4,664,184
Mineral Leasing Fees	19,000,000	19,615,762	38,615,762	41,348,389	2,732,627
Motor Vehicle Excise Tax	323,123,500	(39,559,542)	283,563,958	277,152,752	(6,411,206)
Interest on Public Funds	32,666,716	(12,736,625)	19,930,091	38,103,283	18,173,192
Gas Tax Administration	1,777,360	-	1,777,360	1,949,224	171,864
Transfers In	868,607,200	179,554	868,786,754	868,649,488	(137,266)
<b>Total Revenue Inflows</b>	<b>5,476,833,046</b>	<b>223,380,946</b>	<b>5,700,213,992</b>	<b>5,801,797,506</b>	<b>101,583,514</b>
<b>Amounts Available for Appropriation</b>	<b>6,949,631,282</b>	<b>223,380,946</b>	<b>7,173,012,228</b>	<b>7,068,454,239</b>	<b>(104,557,989)</b>
<b>Charges to Appropriations (Outflows):</b>					
General Government:					
Governor's Office	4,033,873	-	4,033,873	3,931,423	102,450
Secretary of State	6,326,349	2,734,578	9,060,927	8,595,138	465,789
Secretary of State Public Printing	320,500	-	320,500	258,472	62,028
Office of Management and Budget	360,646,688	1,429,598	362,076,286	351,485,066	10,591,220
Information Technology	21,254,428	3,704,757	24,959,185	24,172,443	786,742
State Auditor	8,473,489	-	8,473,489	8,293,487	180,002
State Treasurer	311,333,469	(100,381,880)	210,951,589	208,030,649	2,920,940
Attorney General	38,851,628	339,782	39,191,410	38,906,637	284,773
Tax Department	57,054,140	103,609	57,157,749	47,006,726	10,151,023
Legislative Assembly	13,921,971	2,011,585	15,933,556	13,073,567	2,859,989
Legislative Council	12,862,475	4,338,645	17,201,120	10,755,532	6,445,588
Supreme Court	98,305,993	-	98,305,993	93,611,150	4,694,843
Legal Counsel for Indigents	11,923,410	907,690	12,831,100	12,828,609	2,491
Education:					
Public Instruction	1,723,613,325	5,416,308	1,729,029,633	1,685,107,658	43,921,975
Land Department	-	26,154,763	26,154,763	20,173,532	5,981,231
State Library	5,875,988	-	5,875,988	5,815,902	60,086
School for the Deaf	7,799,379	76,148	7,875,527	7,582,883	292,644
School for the Blind	7,694,093	-	7,694,093	7,485,793	208,300
Vocational Education	32,392,916	-	32,392,916	32,283,711	109,205
Health & Human Services:					
Dept. of Health	46,001,508	720,900	46,722,408	44,566,288	2,156,120
Veteran's Home	7,722,353	794,281	8,516,634	7,787,548	729,086
Indian Affairs Commission	1,027,558	4,200	1,031,758	989,153	42,605
Veteran's Affairs	1,715,703	20,373	1,736,076	1,710,231	25,845
Dept. of Human Services-Management	52,102,791	14,827,000	66,929,791	43,576,100	23,353,691
Dept. of Human Services-Program and Policy	940,840,404	(17,393,910)	923,446,494	923,446,494	-
Dept. of Human Services-Centers	178,172,934	16,547,567	194,720,501	188,859,032	5,861,469
Protection and Advocacy	2,531,562	-	2,531,562	2,531,406	156
Job Service	2,030,235	24,761	2,054,996	1,779,336	275,660
Regulatory:					
Insurance Commission	-	-	-	-	-
Industrial Commission	22,494,125	400,000	22,894,125	20,775,219	2,118,906
Labor Commission	1,847,425	10,000	1,857,425	1,855,653	1,772
Public Service Commission	7,091,740	-	7,091,740	6,801,657	290,083
Securities Commissioner	2,127,782	-	2,127,782	1,923,335	204,447
Public Safety and Corrections:					
Highway Patrol	47,608,042	391,976	48,000,018	46,352,721	1,647,297
Corrections & Rehab	180,915,389	1,773,279	182,688,668	178,448,493	4,240,175
Adjutant General	31,150,829	3,324,566	34,475,395	29,735,404	4,739,991
Agriculture & Commerce:					
Department of Commerce	64,457,060	2,755,429	67,212,489	62,289,890	4,922,599
Department of Agriculture	9,519,217	4,900	9,524,117	9,299,980	224,137
State Fair	3,296,000	-	3,296,000	3,296,000	-
Racing Commission	389,244	-	389,244	389,044	200
Natural Resources:					
Historical Society	15,481,811	5,788,952	21,270,763	20,494,255	776,508
Council on the Arts	1,504,102	17,822	1,521,924	1,521,924	-
Parks and Recreation	20,032,338	3,215,305	23,247,643	20,545,097	2,702,546
Transportation:					
Aeronautics Commission	6,550,000	-	6,550,000	6,550,000	-
Department of Transportation	1,464,020,000	(57,618,060)	1,406,401,940	1,375,007,845	31,394,095
Transfers Out	1,029,273,088	30,053,643	1,059,326,731	991,801,522	67,525,209
<b>Total Charges to Appropriations</b>	<b>6,862,587,354</b>	<b>(47,501,434)</b>	<b>6,815,085,920</b>	<b>6,571,732,005</b>	<b>243,353,916</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ 87,043,928</b>	<b>\$ 270,882,380</b>	<b>\$ 357,926,308</b>	<b>\$ 496,722,235</b>	<b>\$ 138,795,927</b>

# STATE OF NORTH DAKOTA

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## Required Supplemental Information

### Budgetary Comparison Schedule

### Budget to GAAP Reconciliation

### General Fund

For the Biennium Ended June 30, 2015

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and for the General Fund Expenditures

#### Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	\$ 5,801,797,506
Backing out 2014 activity	(2,927,351,426)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	5,412,231
Funds considered General funds for GAAP but not for Budget	1,002,049,040
Certain due from other funds are recorded under GAAP, but not Budget	(183,995.00)
Reimbursement activity between state agencies is eliminated only for GAAP	(385,061)
Proceeds are recorded for new capital leases on GAAP, but not for Budget	158,993
Repayment received on loan receivable are revenue for Budget to GAAP	205,109
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 3,881,702,397</u>

#### Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 6,571,732,005
Backing out Expenditures from FY2014	(3,242,531,414)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	(102,044,861)
Funds considered General funds for GAAP but not for Budget	23,240,139
New capital leases are recorded as expenditures for GAAP, but not for Budget	158,993
Certain due to other funds are recorded under GAAP, but not for Budget	6,404,358
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 3,256,959,220</u>

# STATE OF NORTH DAKOTA

## Required Supplemental Information Budgetary Comparison Schedule Federal Fund For the Biennium Ended June 30, 2015

	Approved Budget 2013-2015 Biennium	Appropriation Adjustments 2013-2015 Biennium	Adjusted Budget 2013-2015 Biennium	Actual Biennium To Date Thru 6-30-15	Difference Uncollected/ Unspent Thru 6-30-15
<b>Budgetary Fund Balance, July 1</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>					
Other Budgeted Income	3,276,689,984	182,261,660	3,458,951,644	2,958,941,044	(500,010,600)
<b>Total Revenue Inflows</b>	<b>3,276,689,984</b>	<b>182,261,660</b>	<b>3,458,951,644</b>	<b>2,958,941,044</b>	<b>(500,010,600)</b>
<b>Amounts Available for Appropriation</b>	<b>3,276,689,984</b>	<b>182,261,660</b>	<b>3,458,951,644</b>	<b>2,958,941,044</b>	<b>500,010,600</b>
<b>Charges to Appropriations (Outflows):</b>					
General Government:					
Secretary of State	4,619,508		4,619,508	2,871,566	1,747,942
Information Technology	9,575,000	450,000	10,025,000	2,949,167	7,075,833
State Auditor	1,203,650	102,750	1,306,400	1,225,815	80,585
Attorney General	9,170,995	446,364	9,617,359	4,915,704	4,701,655
Tax Department	125,000		125,000	19,680	105,320
Supreme Court	1,808,090	-	1,808,090	1,498,187	309,903
Education:					
Public Instruction	295,297,569	-	295,297,569	250,781,216	44,516,353
State Library	2,302,293		2,302,293	1,888,305	413,988
School for the Deaf	339,145		339,145	304,081	35,064
Vocational Education	10,082,821	(250,000)	9,832,821	8,770,245	1,062,576
Health & Human Services:					
Dept. of Health	122,913,143	(2,924,000)	119,989,143	99,081,050	20,908,093
Veteran's Affairs	-	380,000	380,000	315,747	64,253
Dept. of Human Services-Management	56,982,808	79,701,623	136,684,431	61,001,097	75,683,334
Dept. of Human Services-Program and Policy	1,493,095,247	67,990,586	1,561,085,833	1,521,995,895	39,089,938
Dept. of Human Services-Centers	92,804,258	3,879,224	96,683,482	90,178,245	6,505,237
Protection and Advocacy	3,233,612	-	3,233,612	2,826,984	406,628
Job Service	77,206,471	-	77,206,471	50,922,827	26,283,644
Regulatory:					
Insurance Department	1,381,025	-	1,381,025	550,890	830,135
Industrial Commission	294,176	-	294,176	127,012	167,164
Labor Commission	437,926	-	437,926	407,790	30,136
Public Service Commission	12,362,469	-	12,362,469	8,874,019	3,488,450
Public Safety and Corrections:					
Highway Patrol	6,551,476		6,551,476	5,399,362	1,152,114
Corrections & Rehab	5,875,962	1,250,000	7,125,962	6,463,673	662,289
Adjutant General	231,625,343	30,466,863	262,092,206	151,500,173	110,592,033
Agriculture & Commerce:					
Department of Commerce	60,828,054	-	60,828,054	46,601,508	14,226,546
Department of Agriculture	8,144,390	400,000	8,544,390	5,594,441	2,949,949
Natural Resources:					
Historical Society	3,221,964	-	3,221,964	1,787,101	1,434,863
Council on the Arts	1,681,402	-	1,681,402	1,353,631	327,771
Game and Fish	29,723,601	368,250	30,091,851	25,618,809	4,473,042
Parks and Recreation	2,728,104	-	2,728,104	2,536,874	191,230
Water Commission	37,310,283		37,310,283	2,495,280	34,815,003
Transportation:					
Aeronautics Commission	2,277,000	-	2,277,000	651,860	1,625,140
Department of Transportation	691,487,199	-	691,487,199	597,432,810	94,054,389
<b>Total Charges to Appropriations</b>	<b>3,276,689,984</b>	<b>182,261,660</b>	<b>3,458,951,644</b>	<b>2,958,941,044</b>	<b>500,010,600</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# STATE OF NORTH DAKOTA

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## Required Supplemental Information

### Budgetary Comparison Schedule

### Budget to GAAP Reconciliation

### Federal Fund

For the Biennium ended June 30, 2015

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and for the Federal Fund Expenditures

#### Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	\$ 2,958,941,044
Backing out 2014 activity	(1,368,532,265)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	11,389,464
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,601,798,243</u>

#### Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,958,941,044
Backing out Expenditures from FY2014	(1,368,532,265)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	(488,937)
New Loans issued are expenditures for Budget but not for GAAP	(527,605)
GAAP, but not Budget expenditures are reduced by year end inventory balances	14,238,685
Intrafund activity eliminated for GAAP	(8,723,093)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 1,594,907,829</u>

# STATE OF NORTH DAKOTA

## Required Supplemental Information Budgetary Comparison Schedule State Fund

For the Biennium Ended June 30, 2015

	Approved Budget 2013-2015 Biennium	Appropriation Adjustments 2013-2015 Biennium	Adjusted Budget 2013-2015 Biennium	Actual Biennium To Date Thru 6-30-15	Difference Uncollected/ Unspent Thru 6-30-15
<b>Budgetary Fund Balance, July 1</b>	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Resources (Inflows):</b>					
Other Budgeted Income	3,036,726,104	363,567,509	3,400,293,613	2,104,328,966	(1,295,964,647)
<b>Total Revenue Inflows</b>	<b>3,036,726,104</b>	<b>363,567,509</b>	<b>3,400,293,613</b>	<b>2,104,328,966</b>	<b>(1,295,964,647)</b>
<b>Amounts Available for Appropriation</b>	<b>3,036,726,104</b>	<b>363,567,509</b>	<b>3,400,293,613</b>	<b>2,104,328,966</b>	<b>(1,295,964,647)</b>
<b>Charges to Appropriations (Outflows):</b>					
General Government:					
Secretary of State	1,224,909	79,340	1,304,249	643,811	660,438
Office of Management & Budget	14,230,630	(2,867,629)	11,363,001	8,308,286	3,054,715
Information Technology	140,099,553	(450,000)	139,649,553	133,730,086	5,919,467
State Auditor	1,833,268	-	1,833,268	1,442,645	390,623
Attorney General	35,811,455	506,521	36,317,976	21,221,444	15,096,532
Administrative Hearings	2,818,896	13,000	2,831,896	2,268,023	563,873
Legislative Assembly	69,999	-	69,999	66,521	3,478
Supreme Court	367,499	-	367,499	348,737	18,762
Legal Counsel for Indigents	2,497,866	-	2,497,866	2,468,760	29,106
Education:					
Public Instruction	141,699,190	-	141,699,190	141,416,354	282,836
Land Department	247,506,969	-	247,506,969	132,716,232	114,790,737
State Library	91,852	-	91,852	49,743	42,109
School for the Deaf	2,232,042	-	2,232,042	1,033,001	1,199,041
School for the Blind	853,756	-	853,756	499,520	354,236
Vocational Education	204,974	250,000	454,974	126,178	328,796
Health & Human Services:					
Dept. of Health	16,655,291	2,924,000	19,579,291	17,786,431	1,792,860
Tobacco Prevention & Control	15,815,828	-	15,815,828	13,744,928	2,070,900
Veteran's Home	16,429,800	90,189	16,519,989	15,102,263	1,417,726
Dept. of Human Services-Management	2,614,944	798,511	3,413,455	3,284,410	129,045
Dept. of Human Services-Program and Policy	103,258,606	-	103,258,606	97,605,706	5,652,900
Dept. of Human Services-Centers	29,580,602	(5,260)	29,575,342	26,599,835	2,975,507
Job Service	591,057	-	591,057	63,327	527,730
Regulatory:					
Insurance Department	24,996,065	-	24,996,065	23,267,985	1,728,080
Industrial Commission	40,679,616	-	40,679,616	25,688,779	14,990,837
Public Service Commission	1,025,000	-	1,025,000	6,544	1,018,456
Financial Institutions	7,580,217	-	7,580,217	6,762,340	817,877
Securities Commission	170,000	-	170,000	23,836	146,164
Public Safety and Corrections:					
Highway Patrol	6,841,066	-	6,841,066	6,841,066	-
Corrections & Rehab	30,258,960	2,507,759	32,766,719	25,100,471	7,666,248
Adjutant General	18,219,254	23,522,271	41,741,525	28,692,747	13,048,778
Agriculture & Commerce:					
Department of Commerce	14,534,968	1,624,919	16,159,887	9,583,615	6,576,272
Department of Agriculture	7,610,201	400,000	8,010,201	6,497,338	1,512,863
Racing Commission	166,407	-	166,407	130,546	35,861
Natural Resources:					
Council of Arts	63,515	-	63,515	1,076	62,439
Game and Fish	37,830,038	1,149,329	38,979,367	35,482,805	3,496,562
Parks and Recreation	9,047,627	945,000	9,992,627	9,132,711	859,916
Water Commission	821,735,522	546,106	822,281,628	326,214,727	496,066,901
Transportation:					
Aeronautics Commission	10,186,427	2,233,511	12,419,938	8,378,614	4,041,324
Department of Transportation	1,229,292,235	329,299,941	1,558,592,176	971,997,525	586,594,651
<b>Total Charges to Appropriations</b>	<b>3,036,726,104</b>	<b>363,567,509</b>	<b>3,400,293,613</b>	<b>2,104,328,966</b>	<b>1,295,964,647</b>
<b>Ending Budgetary Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

# STATE OF NORTH DAKOTA

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## Required Supplemental Information

### Budgetary Comparison Schedule

### Budget to GAAP Reconciliation

### State Fund

For the Biennium ended June 30, 2015

Explanation of Differences between Budgetary Inflows and Outflows and GAAP Revenues and for the State Fund Expenditures

#### Sources/Inflows of resources

Actual Amounts (budgetary basis) "total revenue inflows" from the budgetary comparison schedule	\$ 2,104,328,966
Backing out 2014 activity	(715,894,085)
Differences-Budget to GAAP:	
The period of availability for revenue recognition for budget purposes differs from the GAAP basis.	2,169,208,757
Total revenues and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 3,557,643,638</u>

#### Uses/Outflows of resources

Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison schedule	\$ 2,104,328,966
Backing out Expenditures from FY2014	(715,894,085)
Differences-Budget to GAAP:	
Estimated liabilities are recorded as expenditures for GAAP but not for Budget	2,474,554,239
New Loans issued are expenditures for Budget but not for GAAP	(31,056,328)
GAAP, but not Budget expenditures are reduced by year end inventory balances	(748,813)
Intrafund activity eliminated for GAAP	(852,919,490)
Certain due to other funds are recorded under GAAP, but not for Budget	(894,184)
Total expenditures and transfers as reported on the statement of revenues, expenditures, and changes in fund balance-governmental funds	<u>\$ 2,977,370,305</u>

# **STATE OF NORTH DAKOTA**

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## **Note To Required Supplemental Information - Budgetary Reporting For the Biennium Ended June 30, 2015**

The Budgetary Comparison Schedules present comparisons of the original and revised legally adopted budgets with actual data on a budgetary basis for major funds. The only major fund with a legally adopted budget is the General Fund. All other funds are budgeted together as "Other Budgeted Funds." A budgetary schedule has been done for these other funds because they include budgeted amounts for the Federal Fund and State Funds, which are major special revenue funds. These amounts are reported on the schedules entitled "Federal Funds" and "State Funds".

North Dakota's Appropriation Acts include a dual legal level of budgetary control - one at the General Fund versus Other Budget Income level for each agency and one at the line item level for each agency. Line items are not separate between General Fund and Other Budgeted Income so that control is not presented in our budgetary comparison schedule for major funds. The legal level of control for all agencies is reported in a publication titled "State of North Dakota 2013-2015 Biennium Budget and Actual Detail (Budgetary Basis) For the Fiscal Year Ended June 30, 2015." This budget information is available through the Office of Management and Budget, 600 East Boulevard Ave Dept. 110, Bismarck, ND 58505. For the 2013-2015 biennium there were general, federal, and special fund supplemental appropriations of \$498,327,735.

The Budgetary Comparison Schedule reports expenditures on a budgetary basis. The accounting principles applied for purposes of developing data on a budgetary basis differ from those used to present the financial statements in accordance with GAAP. Reconciliations of the three for the biennium ended June 30, 2015, for the General Fund, Federal Fund, and State Fund is on the previous pages.

## STATE OF NORTH DAKOTA

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### Required Supplementary Information

#### Schedule of State's Share of Net Pension Liability

#### North Dakota Public Employee Retirement System

#### Last 10 Fiscal Years\*

(Dollars in thousands)

	2015
Employer's proportion of the net pension liability (asset)	55.154588%
Employer's proportionate share of the net pension liability (asset)	\$348,760,106
Employer's covered-employee payroll	\$477,406,624
Plan fiduciary net position	\$1,258,397,628
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	73.05%
Plan fiduciary net position as a percentage of the total pension liability	78.17%

\*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

### Required Supplementary Information

#### Schedule of State's Contributions

#### North Dakota Public Employee Retirement System

#### Last 10 Fiscal Years\*

(Dollars in thousands)

	2015
Statutorily required contribution	\$34,742,738
Contributions in relation to the statutorily required contribution	(\$34,742,738)
Contribution deficiency (excess)	\$0
Employer's covered-employee payroll	\$477,406,624
Contributions as a percentage of covered-employee payroll	7.28%

\*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

## STATE OF NORTH DAKOTA

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### Required Supplementary Information

#### Schedule of State's Share of Net Pension Liability

#### North Dakota Highway Patrolmen's Retirement System

#### Last 10 Fiscal Years\*

(Dollars in thousands)

	2015
Employer's proportion of the net pension liability (asset)	100.00%
Employer's proportionate share of the net pension liability (asset)	\$9,766,036
Employer's covered-employee payroll	\$9,348,386
Plan fiduciary net position	\$65,666,865
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	104.47%
Plan fiduciary net position as a percentage of the total pension liability	87.05%

\*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

### Required Supplementary Information

#### Schedule of State's Contributions

#### North Dakota Highway Patrolmen's Retirement System

#### Last 10 Fiscal Years\*

(Dollars in thousands)

	2015
Statutorily required contribution	\$2,347,598
Contributions in relation to the statutorily required contribution	\$1,864,632
Contribution deficiency (excess)	\$482,966
Employer's covered-employee payroll	\$9,348,386
Contributions as a percentage of covered-employee payroll	19.95%

\*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

## STATE OF NORTH DAKOTA

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### Required Supplementary Information

#### Schedule of State's Share of Net Pension Liability

#### Retirement Plan for the Employees of Job Service North Dakota

#### Last 10 Fiscal Years\*

(Dollars in thousands)

	2015
Employer's proportion of the net pension liability (asset)	100.00%
Employer's proportionate share of the net pension liability (asset)	(\$32,650,195)
Employer's covered-employee payroll	\$752,999
Plan fiduciary net position	\$97,696,628
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	(4,336.02)%
Plan fiduciary net position as a percentage of the total pension liability	150.20%

\*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

### Required Supplementary Information

#### Schedule of State's Contributions

#### Retirement Plan for the Employees of Job Service North Dakota

#### Last 10 Fiscal Years\*

(Dollars in thousands)

	2015
Statutorily required contribution	-
Contributions in relation to the statutorily required contribution	-
Contribution deficiency (excess)	-
Employer's covered-employee payroll	\$752,999
Contributions as a percentage of covered-employee payroll	0.00%

\*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

## STATE OF NORTH DAKOTA

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**Required Supplementary Information**  
**Schedule of State's Share of Net Pension Liability**  
**North Dakota Teachers' Fund for Retirement**  
**Last 10 Fiscal Years\***  
(Dollars in thousands)

	2015
Employer's proportion of the net pension liability (asset)	0.616525%
Employer's proportionate share of the net pension liability (asset)	\$6,460,089
Employer's covered-employee payroll	\$3,576,175
Plan fiduciary net position	\$646,009
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	180.64%
Plan fiduciary net position as a percentage of the total pension liability	66.60%

\*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

**Required Supplementary Information**  
**Schedule of State's Contributions**  
**North Dakota Teachers' Fund for Retirement**  
**Last 10 Fiscal Years\***  
(Dollars in thousands)

	2015
Statutorily required contribution	\$384,434
Contributions in relation to the statutorily required contribution	(\$384,434)
Contribution deficiency (excess)	\$0
Employer's covered-employee payroll	\$3,576,175
Contributions as a percentage of covered-employee payroll	10.75%

\*Complete data for this schedule is not available prior to 2015. The 2015 information presented has a measurement date of June 30, 2014.

# STATE OF NORTH DAKOTA

## Required Supplementary Information

### Schedule of Changes in Net Pension Liability and Related Ratios

#### North Dakota Public Employee Retirement System

#### Last 10 Fiscal Years\*

(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
<b>Total pension liability (asset)</b>		
Service cost	\$ 104,158	\$ 94,611
Interest	236,420	218,719
Change of benefit terms	2	-
Difference between expected and actual experience	4,396	25,783
Changes of assumptions	(76,152)	-
Benefit payments, including refund of employee contributions	(134,930)	(119,886)
<b>Net change in total pension liability (asset)</b>	<u>133,894</u>	<u>219,227</u>
<b>Total pension liability (asset) - beginning</b>	<u>2,918,552</u>	<u>2,699,325</u>
<b>Total pension liability (asset) - ending (a)</b>	<u><u>\$ 3,052,446</u></u>	<u><u>\$ 2,918,552</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 70,842	\$ 61,661
Contributions - employee	68,392	59,394
Contributions - service credit repurchase	6,652	8,325
Contributions - other	-	-
Net investment income	81,537	316,630
Benefit payments, including refund of employee contributions	(134,930)	(119,886)
Administrative expense	(2,365)	(2,211)
<b>Net change in plan fiduciary net position</b>	<u>90,128</u>	<u>323,913</u>
Plan fiduciary net position - beginning	<u>2,281,583</u>	<u>1,957,670</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,371,711</u></u>	<u><u>\$ 2,281,583</u></u>
 <b>Net pension liability (asset) - ending (a) - (b)</b>	<u><u>\$ 680,735</u></u>	<u><u>\$ 636,969</u></u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	77.70%	78.18%
Covered employee payroll	\$ 973,536	\$ 888,452
Plan net pension liability (asset) as a percentage of covered employee payroll	69.92%	71.69%

#### Notes to Schedule:

\*Complete data for this schedule is not available prior to 2014.

Benefit Changes: New employer and member contribution rates were adopted beginning August 1, 2015 for members of the National Guard system who were transferred to the Law Enforcement System. Those changes are reflected in the results for June 30, 2015.

New employer and member contribution rates were adopted beginning January 1, 2014 for PERS. Those changes are reflected in the results for June 30, 2014 and after.

Changes of Assumptions: The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an experience study for the period July 1, 2009 to June 30, 2014.

# STATE OF NORTH DAKOTA

## Required Supplementary Information

### Schedule of Changes in Net Pension Liability and Related Ratios

#### North Dakota Highway Patrolmen's Retirement System

##### Last 10 Fiscal Years\*

(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
<b>Total pension liability (asset)</b>		
Service cost	\$ 2,038	\$ 1,894
Interest	6,008	5,750
Change of benefit terms	-	-
Difference between expected and actual experience	984	(300)
Changes of assumptions	395	-
Benefit payments, including refund of employee contributions	(4,746)	(3,784)
<b>Net change in total pension liability (asset)</b>	<u>4,679</u>	<u>3,560</u>
<b>Total pension liability (asset) - beginning</b>	<u>75,433</u>	<u>71,873</u>
<b>Total pension liability (asset) - ending (a)</b>	<u><u>\$ 80,112</u></u>	<u><u>\$ 75,433</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 2,002	\$ 1,865
Contributions - employee	1,352	1,243
Contributions - service credit repurchase	97	87
Contributions - other	-	-
Net investment income	2,335	9,240
Benefit payments, including refund of employee contributions	(4,746)	(3,784)
Administrative expense	(31)	(28)
<b>Net change in plan fiduciary net position</b>	<u>1,009</u>	<u>8,623</u>
Plan fiduciary net position - beginning	<u>65,667</u>	<u>57,044</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 66,676</u></u>	<u><u>\$ 65,667</u></u>
 <b>Net pension liability (asset) - ending (a) - (b)</b>	<u><u>\$ 13,436</u></u>	<u><u>\$ 9,766</u></u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	83.23%	87.05%
Covered employee payroll	\$ 10,146	\$ 9,348
Plan net pension liability (asset) as a percentage of covered employee payroll	132.44%	104.47%

#### Notes to Schedule:

\*Complete data for this schedule is not available prior to 2014.

Benefit Changes: New employer and member contribution rates were adopted beginning January 1, 2014 for PERS. Those changes are reflected in the results for June 30, 2014 and after.

Changes of Assumptions: The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an experience study for the period July 1, 2009 to June 30, 2014.

# STATE OF NORTH DAKOTA

## Required Supplementary Information

### Schedule of Changes in Net Pension Liability and Related Ratios

#### Retirement Plan for the Employees of Job Service North Dakota

##### Last 10 Fiscal Years\*

(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
<b>Total pension liability (asset)</b>		
Service cost	\$ 128	\$ 88
Interest	5,026	5,107
Change of benefit terms	-	-
Difference between expected and actual experience	(1,806)	(1,607)
Changes of assumptions	(310)	-
Benefit payments, including refund of employee contributions	(4,694)	(4,595)
<b>Net change in total pension liability (asset)</b>	<u>(1,656)</u>	<u>(1,007)</u>
<b>Total pension liability (asset) - beginning</b>	<u>65,046</u>	<u>66,053</u>
<b>Total pension liability (asset) - ending (a)</b>	<u>\$ 63,390</u>	<u>\$ 65,046</u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ -	\$ -
Contributions - employee	50	56
Contributions - service credit repurchase	-	-
Contributions - other	-	-
Net investment income	3,260	11,888
Benefit payments, including refund of employee contributions	(4,694)	(4,595)
Administrative expense	(30)	(31)
<b>Net change in plan fiduciary net position</b>	<u>(1,414)</u>	<u>7,318</u>
Plan fiduciary net position - beginning	<u>97,697</u>	<u>90,379</u>
Plan fiduciary net position - ending (b)	<u>\$ 96,283</u>	<u>\$ 97,697</u>
 <b>Net pension liability (asset) - ending (a) - (b)</b>	<u>\$ (32,893)</u>	<u>\$ (32,651)</u>
 Plan fiduciary net position as a percentage of the total pension liability (asset)	151.89%	150.20%
Covered employee payroll	\$ 791	\$ 843
Plan net pension liability (asset) as a percentage of covered employee payroll	-4160.24%	-3874.93%

Notes to Schedule:

\*Complete data for this schedule is not available prior to 2014.

Benefit Changes:

There were no changes made in the plan provisions since the prior Valuation Changes of Assumptions: The actuarial assumptions used in the July 1, 2015 valuation were based on the results of an experience study for the period July 1, 2009 to June 30, 2014.

# STATE OF NORTH DAKOTA

## Required Supplementary Information

### Schedule of Changes in Net Pension Liability and Related Ratios

#### North Dakota Teachers' Fund for Retirement

#### Last 10 Fiscal Years\*

(Dollars in thousands)

	<u>2015</u>	<u>2014</u>
<b>Total pension liability (asset)</b>		
Service cost	\$ 60,618	\$ 56,752
Interest	249,064	237,821
Change of benefit terms	-	-
Difference between expected and actual experience	2,209	9,347
Changes of assumptions	171,325	-
Benefit payments, including refund of employee contributions	(172,239)	(162,259)
<b>Net change in total pension liability (asset)</b>	<u>310,977</u>	<u>141,661</u>
<b>Total pension liability (asset) - beginning</b>	<u>3,138,800</u>	<u>2,997,139</u>
<b>Total pension liability (asset) - ending (a)</b>	<u><u>\$ 3,449,777</u></u>	<u><u>\$ 3,138,800</u></u>
 <b>Plan fiduciary net position</b>		
Contributions - employer	\$ 78,422	\$ 62,355
Contributions - employee	72,268	56,555
Contributions - service credit repurchase	1,601	2,034
Contributions - other	172	48
Net investment income	73,205	294,246
Benefit payments, including refund of employee contributions	(172,239)	(162,259)
Administrative expense	(1,923)	(1,586)
<b>Net change in plan fiduciary net position</b>	<u>51,506</u>	<u>251,393</u>
Plan fiduciary net position - beginning**	<u>2,090,415</u>	<u>1,839,584</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 2,141,921</u></u>	<u><u>\$ 2,090,977</u></u>
 <b>Net pension liability (asset) - ending (a) - (b)</b>	<u><u>\$ 1,307,856</u></u>	<u><u>\$ 1,047,823</u></u>
Plan fiduciary net position as a percentage of the total pension liability (asset)	62.10%	66.60%
Covered employee payroll	\$ 615,105	\$ 580,053
Plan net pension liability (asset) as a percentage of covered employee payroll	21.60%	180.60%

#### Notes to Schedule:

\*Complete data for this schedule is not available prior to 2014.

\*\*Restated in 2015 due to GASB 68 implementation.

Changes of Assumptions: In 2015, amounts reported as changes of assumptions resulted primarily from a decrease in the investment return assumption from 8% to 7.75% and an updated mortality improvement scale.

# STATE OF NORTH DAKOTA

## Required Supplementary Information Schedule of Employer Contributions Last 10 Fiscal Years\* (Dollars in thousands)

### NDPERS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 107,514	\$ 107,864	\$ 97,985	\$ 91,458	\$ 82,910	\$ 54,158	\$ 40,327	\$ 35,875	\$ 38,185	\$ 31,906
Contributions in relation to the actuarially determined contribution	70,843	61,661	48,847	38,006	32,278	30,253	27,705	25,254	23,141	21,970
Contribution deficiency (excess)	\$ 36,671	\$ 46,203	\$ 49,138	\$ 53,452	\$ 50,632	\$ 23,905	\$ 12,622	\$ 10,621	\$ 15,044	\$ 9,936
Covered-employee payroll	973,536	888,452	800,878	804,169	769,710	697,737	640,685	582,287	547,006	521,132
Contributions as a percentage of covered-employee payroll	7.28%	6.94%	6.10%	4.73%	4.19%	4.34%	4.32%	4.34%	4.23%	4.22%

### HPRS

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 2,201	\$ 2,348	\$ 2,191	\$ 2,171	\$ 1,744	\$ 1,313	\$ 1,026	\$ 924	\$ 1,083	\$ 933
Contributions in relation to the actuarially determined contribution	2,002	1,865	1,586	1,423	1,286	1,197	1,123	1,059	960	931
Contribution deficiency (excess)	\$ 199	\$ 483	\$ 605	\$ 748	\$ 458	\$ 116	\$ (97)	\$ (135)	\$ 123	\$ 2
Covered-employee payroll	10,146	9,348	8,167	8,002	7,738	7,009	6,509	6,129	5,688	5,299
Contributions as a percentage of covered-employee payroll	19.73%	19.95%	19.42%	17.78%	16.62%	17.08%	17.25%	17.28%	16.88%	17.57%

### JSND

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the actuarially determined contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered-employee payroll	791	843	1,011	1,163	1,266	1,487	1,613	1,843	1,923	2,227
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

# STATE OF NORTH DAKOTA

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## Required Supplementary Information Schedule of Employer Contributions Last 10 Fiscal Years\* (Dollars in thousands)

### TFFR

	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarially determined contribution	\$ 71,168	\$ 59,530	\$ 52,396	\$ 69,374	\$ 65,113	\$ 52,053	\$ 41,986	\$ 44,115	\$ 50,532	\$ 48,747
Contributions in relation to the actuarially determined contribution	<u>78,422</u>	<u>62,355</u>	<u>59,301</u>	<u>46,126</u>	<u>44,545</u>	<u>39,837</u>	<u>37,488</u>	<u>33,684</u>	<u>31,865</u>	<u>31,171</u>
Contribution deficiency (excess)	\$ <u>(7,254)</u>	\$ <u>(2,825)</u>	\$ <u>(6,905)</u>	\$ <u>23,248</u>	\$ <u>20,568</u>	\$ <u>12,216</u>	\$ <u>4,498</u>	\$ <u>10,431</u>	\$ <u>18,667</u>	\$ <u>17,576</u>
Covered-employee payroll	615,105	580,053	551,656	527,156	509,091	482,868	454,396	434,626	411,167	402,204
Contributions as a percentage of covered-employee payroll	12.75%	10.75%	10.75%	8.75%	8.75%	8.25%	8.25%	7.75%	7.75%	7.75%

# STATE OF NORTH DAKOTA

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## Required Supplementary Information Information About the State's Pension Benefit Plans For the Fiscal Year Ended June 30, 2015

### Schedule of Changes to the Net Pension Liability

**Valuation date:** Actuarial determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

**Methods and assumptions used to determine contributions rates:**

#### **PERS, HPRS and JSND:**

Actuarial cost method	Entry Age Actuarial Cost Method. Under this method, each employee's service cost is determined based on the same benefit terms reflected in that employee's actuarial present value of projected benefit payments.
Amortization Method	The plan's assets (Fiduciary Net Position) are reported without actuarial smoothing.
Investment rate of return	8.00% (7.00% for JSND for July 1, 2015). The net investment return assumption is a long-term estimate derived from historical data, current and recent market expectations, and professional judgment. As part of the analysis, a building block approach was used that reflects inflation expectations and anticipated risk premiums for each of the portfolio's asset classes, as well as the Plan's target asset allocation.
Inflation rate	3.50%
Salary increases	July 1, 2015. For PERS- ranges from 7.25% to 20.00% for new members, and 5.00% to 10.00% for members with 3 or more years of service (5 or more for Law Enforcement); 4.00% for Judges. For HPRS – 4.50% per annum. For JSND – 5.0% per annum.
	July 1, 2014. For PERS – ranges from 8.25% for new members to 4.86% for members with 5 or more years of service; 5.00% for Judges. For HPRS – 3.85% per annum for first five years, then 4.50% per annum. For JSND – 5.0% per annum.
Cost of living adjustment	5.0% per annum for JSND, none for PERS and HPRS.
Mortality	July 1, 2015. Healthy: RP-2000 Combined Healthy Mortality Table, set back 2 years for males and 3 years for females, projected generationally using the SSA 2014 Intermediate Cost scale from 2014.
Other assumptions	Same as those used in the July 1, 2015 and 2014 actuarial funding valuation.

### Schedule of Employer Contributions

Valuation date	Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.
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#### Methods and assumptions used to establish "actuarially determined contribution" rates for PERS and HPRS:

Actuarial cost method	Entry Age Actuarial Cost Method. For June 30, 2015, Entry Age is the age at the time the participant commenced employment. Normal Cost and Actuarial Accrued Liability are calculated on an individual basis and are allocated by salary. For June 30, 2014 Normal Cost is determined as if the current benefit accrual rate had always been in effect.
Amortization Method	Level percent of payroll
Remaining amortization period	20 years open, assuming 4.50% (4.00% for Judges) of payroll growth per annum.

# STATE OF NORTH DAKOTA

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## Required Supplementary Information Information About the State's Pension Benefit Plans For the Fiscal Year Ended June 30, 2015

Asset valuation method      Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized.

Methods and assumptions used to establish "actuarially determined contribution" rates for JSND:

Actuarial cost method      Frozen Initial Liability Cost Method. The "annual contribution" under this method is the normal cost plus the payment required to amortize the unfunded initial actuarial accrued liability over a selected period of years. The normal cost is determined by calculating the total value of all future benefits, subtracting the outstanding balance (if any) of the unfunded initial actuarial accrued liability, subtracting the actuarial value of assets, and determining payments (not less than zero) that are a level percent of pay over the future working lifetime of all participants. In the absence of an unfunded initial actuarial accrued liability, the Frozen Initial Liability Actuarial Cost Method is the same as the Aggregate Cost Method. The plan has assets in excess of the present value of future benefits. Therefore, no contribution is being made.

Asset valuation method      Adjusted market value that immediately recognizes interest and dividends. The procedure recognizes 20% of each year's total appreciation (depreciation) beginning with the year of occurrence. After five years, the appreciation (depreciation) is fully recognized.

### TFFR:

Actuarial cost method      Entry age Amortization method Level percentage of payroll, closed Remaining amortization period 28 years Asset valuation method 5-year smoothed market.

Inflation      2.75%; decreased from 3% prior to July 1, 2015.

Salary increases      4.25% - 14.5%, including inflation and productivity; 4.5% - 14.75% prior to July 1, 2015.

Investment rate of return      7.75%, net of investment expenses, including inflation. Rate was decreased from 8% beginning July 1, 2015.

Retirement age      In the 2015 valuation, rates of retirement were changed to better reflect anticipated future experience. In the 2010 valuation, expected retirement ages of plan members were adjusted to more closely reflect actual experience.

Mortality      In the 2015 valuation, assumed life expectancies were adjusted as a result of adopting the RP-2014 mortality tables with generational improvement. In prior years, those assumptions were based on percentages of GRS post termination non-disabled tables and RP-2000 disabled-life tables.

### Schedule of Investment Returns

	2015	2014	2013
Public Employees Retirement System	3.61%	16.29%	13.52%
Highway Patrolmen's Retirement System	3.66%	16.20%	13.38%
Job Service North Dakota	3.41%	13.46%	12.07%
Teachers' Fund for Retirement	3.56%	16.35%	13.60%

This schedule is intended to show information for 10 years. Additional years will be displayed as they become available.

# Combining Financial Statements

# STATE OF NORTH DAKOTA

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## Permanent Fund

*A permanent fund is used to report resources that are legally restricted to the extent than only earnings, and not principal, may be used to for the benefit of the government or its citizens.*

### 956-Coal Development Permanent Fund

The Coal Development Fund reports resources that are constitutionally committed for distribution to other state funds and for making loans to energy impacted entities and school districts.

## Capital Projects Funds

*A capital projects fund is used to account for the acquisition and construction of major capital facilities other than those financed by proprietary funds and trust funds.*

### **BUILDING AUTHORITY**

#### 960 - Building Authority Capital Projects Fund

Account for the acquisition or construction of buildings primarily for use by the State and making any improvements connected to those buildings.

## Debt Service Funds

*A debt service fund is used to account for accumulation for resources for, and the payment of, principal and interest on long-term debt.*

### **BUILDING AUTHORITY**

#### 919 - Building Authority Debt Service Fund

Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the North Dakota Building Authority.

### **WATER COMMISSION**

#### 962 - Water Commission Debt Service Fund

Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the State Water Commission.

### **DEPARTMENT OF TRANSPORTATION**

#### 949 - Department of Transportation Debt Service Fund

Account for accumulation of resources for, and the payment of, principal and interest on bonds issued by the Department of Transportation.

# STATE OF NORTH DAKOTA

## Combining Balance Sheet Nonmajor Governmental Funds June 30, 2015

	Perm Fund	Debt Service Funds					Capital Proj. Fund	Total Nonmajor Governmental Funds		
		Coal Development Trust Fund	Building Authority	Dept. of Trans.	Water Comm.	Total				
<b>ASSETS</b>										
Cash Deposits at the Bank of ND	\$ 352,659	\$ 43,000	\$ 84,977	\$ -	\$ 127,977	\$ 2,141,000	\$ 2,621,636			
Cash and Cash Equivalents	-	-	-	45	45	-	45			
Investments at the Bank of ND	-	6,038,000	-	7,989,875	14,027,875	-	14,027,875			
Investments	23,463,812	-	-	-	-	-	23,463,812			
Taxes Receivable - Net	250,291	-	-	-	-	-	250,291			
Interest Receivable - Net	130,483	-	-	3,651	3,651	-	134,134			
Due from Other Funds	-	5,000	-	-	5,000	-	5,000			
Loans and Notes Receivable - Net	49,808,124	-	-	-	-	-	49,808,124			
<b>Total Assets</b>	<b>74,005,369</b>	<b>6,086,000</b>	<b>84,977</b>	<b>7,993,571</b>	<b>14,164,548</b>	<b>2,141,000</b>	<b>90,310,917</b>			
<b>DEFERRED OUTFLOWS OF RESOURCES</b>										
	-	-	-	-	-	-	-			
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 74,005,369</b>	<b>\$ 6,086,000</b>	<b>\$ 84,977</b>	<b>\$ 7,993,571</b>	<b>\$ 14,164,548</b>	<b>\$ 2,141,000</b>	<b>\$ 90,310,917</b>			
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts Payable	\$ 42,074	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 42,074			
Securities Lending Collateral	6,240,557	-	-	-	-	-	6,240,557			
Due to Other Funds	351,398	-	-	-	-	-	351,398			
<b>Total Liabilities</b>	<b>6,634,029</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,634,029</b>			
<b>DEFERRED INFLOWS OF RESOURCES</b>										
	-	-	-	-	-	-	-			
Fund Balances:										
Nonspendable	67,050,990	-	-	-	-	-	67,050,990			
Restricted		6,086,000	84,977	7,993,571	14,164,548	2,141,000	16,305,548			
Committed	320,350	-	-	-	-	-	320,350			
<b>Total Fund Balances</b>	<b>67,371,340</b>	<b>6,086,000</b>	<b>84,977</b>	<b>7,993,571</b>	<b>14,164,548</b>	<b>2,141,000</b>	<b>83,676,888</b>			
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balance</b>	<b>\$ 74,005,369</b>	<b>\$ 6,086,000</b>	<b>\$ 84,977</b>	<b>\$ 7,993,571</b>	<b>\$ 14,164,548</b>	<b>\$ 2,141,000</b>	<b>\$ 90,310,917</b>			

# STATE OF NORTH DAKOTA

## Combining Statement of Revenues, Expenditures and Changes in Fund Balance Nonmajor Governmental Funds For the Fiscal Year Ended June 30, 2015

	Perm Fund	Debt Service Funds				Capital Proj. Fund	Total Nonmajor Governmental Funds
		Coal Development Trust Fund	Building Authority	Dept. of Trans.	Water Comm.		
<b>REVENUES</b>							
Oil, Gas, and Coal Taxes	\$ 3,241,152	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,241,152
Intergovernmental	-	-	4,303,914	-	4,303,914	-	4,303,914
Sales and Services	-	-	-	333,700	333,700	-	333,700
Interest and Investment Income	939,568	60,000	252	19,674	79,926	83,000	1,102,494
<b>Total Revenues</b>	<b>4,180,720</b>	<b>60,000</b>	<b>4,304,166</b>	<b>353,374</b>	<b>4,717,540</b>	<b>83,000</b>	<b>8,981,260</b>
<b>EXPENDITURES</b>							
Current:							
General Government	79,261	-	-	-	-	-	79,261
Debt Service:							
Principal	-	6,130,000	4,015,000	24,843,592	34,988,592	-	34,988,592
Interest and Other Charges	-	2,114,000	1,306,571	4,265,180	7,685,751	-	7,685,751
<b>Total Expenditures</b>	<b>79,261</b>	<b>8,244,000</b>	<b>5,321,571</b>	<b>29,108,772</b>	<b>42,674,343</b>	<b>-</b>	<b>42,753,604</b>
Revenues over (under) Expenditures	4,101,459	(8,184,000)	(1,017,405)	(28,755,398)	(37,956,803)	83,000	(33,772,344)
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	-	8,163,000	1,017,333	19,472,498	28,652,831	-	28,652,831
Transfers Out	(3,123,125)	-	-	-	-	-	(3,123,125)
<b>Total Other Financing Sources (Uses)</b>	<b>(3,123,125)</b>	<b>8,163,000</b>	<b>1,017,333</b>	<b>19,472,498</b>	<b>28,652,831</b>	<b>-</b>	<b>25,529,706</b>
Net Change in Fund Balances	978,334	(21,000)	(72)	(9,282,900)	(9,303,972)	83,000	(8,242,638)
Fund Balances - Beginning of Year	66,393,006	6,107,000	85,049	17,276,471	23,468,520	2,058,000	91,919,526
<b>Fund Balances - End of Year</b>	<b>\$ 67,371,340</b>	<b>\$ 6,086,000</b>	<b>\$ 84,977</b>	<b>\$ 7,993,571</b>	<b>\$ 14,164,548</b>	<b>\$ 2,141,000</b>	<b>\$ 83,676,888</b>

# STATE OF NORTH DAKOTA

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## Nonmajor Enterprise Funds

*Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises—where the intent of the State is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or where the State has decided that periodic determination of net income is appropriate for accountability purposes.*

### Bank Of North Dakota

#### 984 – Medical Facility Infrastructure Loan Program

Fund used to make loans to medical facilities to conduct construction that improves the health care infrastructure in the state or improves access to existing nonprofit health care providers in the state.

#### 985 – Rebuilders Loan Program

Fund used to make loans to North Dakota 2011 flood-damaged homeowners to provide financial assistance needed to repair their home.

### BEGINNING FARMER REVOLVING LOAN

#### 973 - Beginning Farmer Revolving Loan Fund

Fund used to make loans to North Dakota beginning farmers for the purchase of agricultural real estate.

### BONDING

#### 210 (924) - State Bonding Fund

Fund used to maintain the bonding of public employees and officials of the state, county, city or other unit of local government.

### COMMUNITY WATER FACILITY LOAN

#### 974 - Community Water Facility Loan Fund

Accounts for supplementary financing in conjunction with federal moneys available to improve adequate water supplies.

### FIRE AND TORNADO

#### 211 (923) - State Fire and Tornado Fund

Accounts for state agencies and political subdivisions to insure against loss to the public buildings, fixtures and permanent contents therein, through fire, lightning, windstorm, etc.

### GUARANTEED STUDENT LOAN

#### 969 - North Dakota Guaranteed Student Loan

Accounts for the revenues and expenses associated with the administration, development and operation of the guaranteed loan program.

### HIT PLANNING LOAN FUND

#### 987 – HIT Planning Loan Fund

Fund to provide low-interest loans to health care entities to improve health information technology infrastructure.

### INFORMATION TECHNOLOGY DEPARTMENT

#### 408 (903) - Edutech Fund

Fund used for professional development sessions and presentations by the Information and Technology Department.

### MILL AND ELEVATOR

#### 970 – Mill and Elevator

Accounts for revenues and expenditures associated with the operation of the Mill and Elevator.

### PERS UNIFORM GROUP INSURANCE

#### 980 - Public Employees Retirement System Group Insurance

Accounts for the administrative revenues and expenses associated with this insurance purchasing pool.

### ROUGHRIDER INDUSTRIES

#### 926 - Roughrider Industries

Accounts for the revenues and expenses associated with the operation, manufacture and sale of products made by the prison inmates.

### STATE FAIR

#### 601 (977) - State Fair

Accounts for revenues and expenditures associated with the operation of the State Fair.

### STATE LOTTERY FUND

#### 966 (292) - State Lottery Fund

Accounts for operations of the North Dakota lottery.

### STUDENT LOAN

#### 975 - North Dakota Student Loan Trust

Accounts for loans to students in post secondary education. The trust acquires eligible loans guaranteed or insured by the United States government or the North Dakota Guaranteed Student Loan Program.

### UNEMPLOYMENT COMPENSATION FUND

#### 967 - Job Service-Expendable Trust Fund

Accounts for State unemployment taxes collected from employers for the purpose of paying unemployment benefits.

# STATE OF NORTH DAKOTA

## Combining Statement of Net Position

### Nonmajor Enterprise Funds

June 30, 2015

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
<b>ASSETS</b>							
Current Assets:							
Cash Deposits at the Bank of ND	\$ 3,854,000	\$ 171,091	\$ 12,810,000	\$ 620,813	\$ 284,044	\$ 6,399,011	\$ -
Cash and Cash Equivalents	-	1,433,907	-	-	2,331,702	-	-
Investments at the Bank of ND	-	-	-	-	-	17,500,000	-
Investments	-	1,721,507	-	-	20,949,613	-	-
Accounts Receivable - Net	-	201,350	-	23,833	60,081	47,260	-
Interest Receivable - Net	-	24,609	208,000	-	134,917	-	4,692
Intergovernmental Receivable - Net	-	-	-	-	-	4,300,891	-
Due from Other Funds	-	-	-	-	-	1,077,183	-
Due from Fiduciary Funds	-	-	-	-	-	-	-
Prepaid Items	1,816,000	-	-	-	261,043	-	-
Inventory	-	-	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	643,000	-	-	-	1,086,865
Other Assets	-	-	-	-	-	-	-
Restricted Cash at the Bank of ND	-	-	-	-	-	2,804,211	1,371,563
Restricted Investments at the Bank of ND	-	-	-	-	-	4,000,000	-
Total Current Assets	5,670,000	3,552,464	13,661,000	644,646	24,021,400	36,128,556	2,463,120
Noncurrent Assets:							
Investments	-	-	-	-	-	-	-
Loans and Notes Receivable - Net	-	-	14,635,000	-	-	-	6,699,795
Restricted Loans Receivable - Net	-	-	-	-	-	-	-
Other Noncurrent Assets	3,818,000	-	-	-	-	-	-
Capital Assets:							
Nondepreciable	-	-	-	-	-	-	-
Depreciable, Net	-	-	-	-	-	-	-
Total Noncurrent Assets	3,818,000	-	14,635,000	-	-	-	6,699,795
Total Assets	9,488,000	3,552,464	28,296,000	644,646	24,021,400	36,128,556	9,162,915
<b>DEFERRED OUTFLOWS OF RESOURCES</b>							
Derived from Pensions	-	893	-	-	34,619	-	-
Total Deferred Outflows of Resources	-	893	-	-	34,619	-	-
<b>LIABILITIES</b>							
Current Liabilities:							
Accounts Payable	-	133	-	34,515	6,714	230,339	10,237
Accrued Payroll	-	1,036	-	-	37,225	-	-
Interest Payable	-	809	-	-	16,134	-	-
Intergovernmental Payable	-	-	-	-	-	3,256,637	-
Due to Other Funds	-	13	20,000	-	10,761	2,727,476	-
Due to Fiduciary Funds	-	-	-	-	-	-	-
Contracts Payable	-	-	-	-	-	-	-
Amounts Held in Custody for Others	-	-	-	-	-	-	-
Claims/Judgments Payable	-	128,714	-	-	437,996	-	-
Compensated Absences Payable	-	109	-	-	1,875	-	-
Unearned Revenue	-	-	-	-	-	-	-
Total Current Liabilities	-	130,814	20,000	34,515	510,705	6,214,452	10,237
Noncurrent Liabilities:							
Intergovernmental Payable	-	-	-	-	-	5,096,223	-
Compensated Absences Payable	-	2,063	-	-	35,634	-	-
Bonds Payable	-	-	-	-	-	-	-
Net Pension Liability	-	6,671	-	-	281,480	-	-
Other Noncurrent Liabilities	-	-	-	-	-	12,061,000	-
Total Noncurrent Liabilities	-	8,734	-	-	317,114	17,157,223	-
Total Liabilities	-	139,548	20,000	34,515	827,819	23,371,675	10,237
<b>DEFERRED INFLOWS OF RESOURCES</b>							
Increase in Fair Value of Hedging Derivatives	-	-	-	-	-	-	-
Derived from Pensions	-	1,326	-	-	55,129	-	-
Total Deferred Inflows of Resources	-	1,326	-	-	55,129	-	-
<b>Net Position</b>							
Net Investment in Capital Assets	-	-	-	-	-	-	-
Restricted for:							
Debt Service	-	-	-	-	-	-	-
Loan Purposes	-	-	-	-	-	586,692	-
Unemployment Compensation	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
Unrestricted	9,488,000	3,412,483	28,276,000	610,131	23,173,071	12,170,189	9,152,678
Total Net Position	\$ 9,488,000	\$ 3,412,483	\$ 28,276,000	\$ 610,131	\$ 23,173,071	\$ 12,756,881	\$ 9,152,678

Medical Facility Infrastructure	Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 21,654,000	\$ 907,787	\$ 41,533,156	\$ 676,667	\$ 4,547,959	\$ 6,003,256	\$ 7,180,602	\$ 14,000	\$ 197,663	\$ 106,854,049
-	-	5,928,132	-	500	-	381,537	-	152,284,648	162,360,426
6,003,000	-	-	-	-	-	-	12,360,000	-	35,863,000
-	-	-	-	-	-	-	-	-	22,671,120
-	36,940,186	814,518	-	520,728	294,958	765,413	-	31,495,456	71,163,783
18,000	-	-	90,465	-	-	-	194,000	951,659	1,626,342
-	-	-	-	-	71,408	-	11,000	4,108,471	8,491,770
-	-	-	-	302,620	-	-	7,000	-	1,386,864
-	-	19,029	-	-	-	-	-	-	19,029
-	904,086	207	-	12,524	28,643	-	-	-	3,022,503
-	29,278,665	-	-	1,765,049	-	-	-	-	31,043,714
354,000	-	-	2,122,016	-	-	-	4,844,000	-	9,049,881
-	1,411,163	-	-	13,730	-	-	-	-	1,424,893
-	-	-	-	-	-	-	-	-	4,175,774
-	-	-	-	-	-	500,000	-	-	4,500,000
28,029,000	69,441,887	48,295,042	2,889,148	7,163,110	6,398,265	8,327,552	17,930,000	189,037,958	463,653,148
12,450,000	-	-	-	-	-	-	-	-	12,450,000
9,416,000	-	-	35,997,999	-	-	-	16,853,000	-	83,601,794
-	-	-	-	-	-	-	1,000,000	-	1,000,000
-	382,535	-	-	-	-	1,130,293	-	-	5,330,828
-	10,880,492	-	-	-	3,768,595	-	-	-	14,649,087
-	41,751,083	1,543,030	-	1,648,583	21,609,082	14,418	-	-	66,566,196
21,866,000	53,014,110	1,543,030	35,997,999	1,648,583	25,377,677	1,144,711	17,853,000	-	183,597,905
49,895,000	122,455,997	49,838,072	38,887,147	8,811,693	31,775,942	9,472,263	35,783,000	189,037,958	647,251,053
-	741,813	-	-	136,091	-	53,451	-	-	966,867
-	741,813	-	-	136,091	-	53,451	-	-	966,867
-	17,153,972	180,645	39,850	194,758	309,544	721,635	8,000	4,016,513	22,906,855
-	329,462	73,042	-	149,069	-	68,306	-	-	658,140
-	-	-	-	55	-	-	1,000	-	17,998
-	-	-	-	-	-	-	-	5,317,035	8,573,672
49,895,000	13,242,367	9,821	38,671,535	-	-	6,113,808	103,000	2,944,193	113,737,974
-	-	361,439	-	-	-	-	-	-	361,439
-	-	-	-	-	65,484	-	-	-	65,484
-	-	5,459,160	-	-	-	-	-	-	5,459,160
-	-	-	-	-	-	-	-	-	566,710
-	61,490	5,453	-	9,259	55,000	-	-	-	133,186
-	-	-	-	171,648	-	536,702	-	-	708,350
49,895,000	30,787,291	6,089,560	38,711,385	524,789	430,028	7,440,451	112,000	12,277,741	153,188,968
-	-	-	-	-	-	-	-	-	5,096,223
-	913,004	80,969	-	117,577	32,711	62,472	-	-	1,244,430
-	-	-	-	-	-	-	1,000,000	-	1,000,000
-	5,185,693	-	-	1,047,455	-	417,667	-	-	6,938,966
-	-	-	-	-	-	-	-	-	12,061,000
-	6,098,697	80,969	-	1,165,032	32,711	480,139	1,000,000	-	26,340,619
49,895,000	36,885,988	6,170,529	38,711,385	1,689,821	462,739	7,920,590	1,112,000	12,277,741	179,529,587
-	1,411,163	-	-	-	-	-	-	-	1,411,163
-	1,012,268	-	-	204,468	-	81,530	-	-	1,354,721
-	2,423,431	-	-	204,468	-	81,530	-	-	2,765,884
-	52,631,575	1,543,030	-	1,648,583	25,377,677	14,418	-	-	81,215,283
-	-	-	-	-	-	-	434,000	-	434,000
-	-	-	-	-	-	-	-	-	586,692
-	-	-	-	-	-	-	-	176,760,217	176,760,217
-	-	3,000,000	-	-	-	1,130,293	-	-	4,130,293
-	31,256,816	39,124,513	175,762	5,404,912	5,935,526	378,883	34,237,000	-	202,795,964
\$ -	\$ 83,888,391	\$ 43,667,543	\$ 175,762	\$ 7,053,495	\$ 31,313,203	\$ 1,523,594	\$ 34,671,000	\$ 176,760,217	\$ 465,922,449

# STATE OF NORTH DAKOTA

## Combining Statement of Revenues, Expenses and Changes in Fund Net Position Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2015

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund
<b>OPERATING REVENUES</b>							
Sales and Services	\$ -	\$ 30,801	\$ -	\$ 308,007	\$ 834,137	\$ 8,684,936	\$ -
Royalties and Rents	-	-	-	-	-	-	-
Interest and Investment Income	-	-	447,000	-	-	-	86,217
Miscellaneous	-	-	-	-	-	-	-
<b>Total Operating Revenues</b>	<b>-</b>	<b>30,801</b>	<b>447,000</b>	<b>308,007</b>	<b>834,137</b>	<b>8,684,936</b>	<b>86,217</b>
<b>OPERATING EXPENSES</b>							
Cost of Sales and Services	-	-	-	-	-	-	-
Salaries and Benefits	-	12,382	-	-	512,105	-	-
Operating	1,866,000	20,309	82,000	409,811	3,659,825	8,314,385	42,550
Claims	-	94,108	-	-	1,829,221	-	-
Interest	-	-	-	-	-	-	-
Depreciation	-	-	-	-	-	-	-
Miscellaneous	4,000	-	-	-	-	-	-
<b>Total Operating Expenses</b>	<b>1,870,000</b>	<b>126,799</b>	<b>82,000</b>	<b>409,811</b>	<b>6,001,151</b>	<b>8,314,385</b>	<b>42,550</b>
<b>Operating Income (Loss)</b>	<b>(1,870,000)</b>	<b>(95,998)</b>	<b>365,000</b>	<b>(101,804)</b>	<b>(5,167,014)</b>	<b>370,551</b>	<b>43,667</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Grants and Contracts	-	-	-	-	-	-	-
Interest and Investment Income	2,000	39,677	6,000	-	762,950	78,760	-
Interest Expense	-	(3,575)	-	-	(45,491)	-	-
Gain (Loss) on Sale of Capital Assets	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-
<b>Total Nonoperating Revenues (Expenses)</b>	<b>2,000</b>	<b>36,102</b>	<b>6,000</b>	<b>-</b>	<b>717,459</b>	<b>78,760</b>	<b>-</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>(1,868,000)</b>	<b>(59,896)</b>	<b>371,000</b>	<b>(101,804)</b>	<b>(4,449,555)</b>	<b>449,311</b>	<b>43,667</b>
Transfers In	3,200,000	-	-	-	-	-	-
Transfer Out	-	-	-	-	-	-	-
<b>Change in Net Position</b>	<b>1,332,000</b>	<b>(59,896)</b>	<b>371,000</b>	<b>(101,804)</b>	<b>(4,449,555)</b>	<b>449,311</b>	<b>43,667</b>
<b>Total Net Position - Beginning of Year, as adjusted</b>	<b>8,156,000</b>	<b>3,472,379</b>	<b>27,905,000</b>	<b>711,935</b>	<b>27,622,626</b>	<b>12,307,570</b>	<b>9,109,011</b>
<b>Total Net Position - End of Year</b>	<b>\$ 9,488,000</b>	<b>\$ 3,412,483</b>	<b>\$ 28,276,000</b>	<b>\$ 610,131</b>	<b>\$ 23,173,071</b>	<b>\$ 12,756,881</b>	<b>\$ 9,152,678</b>

Medical Facility Infrastructure Loan Fund	Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ -	\$ 247,934,461	\$ 290,328,601	\$ -	\$ 8,358,803	\$ 6,612,368	\$ 27,212,010	\$ -	\$ 127,328,232	\$ 717,632,356
-	-	-	-	176,937	-	-	-	-	176,937
8,000	-	-	429,417	-	-	-	710,000	-	1,680,634
-	-	9,560,062	-	98,026	-	-	-	-	9,658,088
8,000	247,934,461	299,888,663	429,417	8,633,766	6,612,368	27,212,010	710,000	127,328,232	729,148,015
<hr/>									
-	206,681,188	-	-	4,082,957	-	-	-	-	210,764,145
-	14,139,929	802,110	-	2,050,117	1,781,587	799,896	-	-	20,098,126
238,000	6,333,139	295,600,732	89,418	1,021,049	4,429,690	19,554,924	487,000	-	342,148,832
-	-	-	-	-	-	-	-	144,920,974	146,844,303
-	-	-	-	466	-	-	9,000	-	9,466
-	3,854,295	289,706	-	150,465	1,315,551	4,968	-	-	5,614,985
-	-	-	-	-	-	-	-	-	4,000
238,000	231,008,551	296,692,548	89,418	7,305,054	7,526,828	20,359,788	496,000	144,920,974	725,483,857
(230,000)	16,925,910	3,196,115	339,999	1,328,712	(914,460)	6,852,222	214,000	(17,592,742)	3,664,158
<hr/>									
-	-	-	-	-	1,262,920	-	-	-	1,262,920
117,000	2,743	36,285	456	-	2,671	2,371	22,000	4,213,870	5,286,783
113,000	(302,295)	-	-	-	-	-	-	-	(238,361)
-	-	-	-	-	(1,138)	-	-	-	(1,138)
-	48,990	(350,000)	(346,805)	-	(9,965)	-	-	-	(657,780)
230,000	(250,562)	(313,715)	(346,349)	-	1,254,488	2,371	22,000	4,213,870	5,652,424
-	16,675,348	2,882,400	(6,350)	1,328,712	340,028	6,854,593	236,000	(13,378,872)	9,316,582
-	-	-	-	-	2,560,185	-	-	-	5,760,185
-	(4,278,170)	-	-	-	-	(6,722,500)	(5,000,000)	-	(16,000,670)
-	12,397,178	2,882,400	(6,350)	1,328,712	2,900,213	132,093	(4,764,000)	(13,378,872)	(923,903)
-	71,491,213	40,785,143	182,112	5,724,783	28,412,990	1,391,501	39,435,000	190,139,089	466,846,352
\$ -	\$ 83,888,391	\$ 43,667,543	\$ 175,762	\$ 7,053,495	\$ 31,313,203	\$ 1,523,594	\$ 34,671,000	\$ 176,760,217	\$ 465,922,449

# STATE OF NORTH DAKOTA

## Combining Statement of Cash Flows Nonmajor Enterprise Funds For the Fiscal Year Ended June 30, 2015

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund	Medical Facility Infrastructure Loan Fund
<b>Cash Flows from Operating Activities:</b>								
Receipts from Customers and Users	\$ -	\$ 35,351	\$ -	\$ 286,759	\$ 810,010	\$ 5,469,270	\$ -	\$ -
Interest Income on Loans	-	-	-	-	-	-	86,971	-
Receipts from Loan Principal Repayments	-	-	-	-	-	18,211,891	1,257,576	-
Receipts from Others	-	2	-	-	-	-	-	-
Payments to Other Funds	-	-	-	-	(120,164)	(17,338,812)	(599,232)	-
Payments for Loan Funds	(2,666,000)	(6,165)	(82,000)	(410,962)	(3,650,967)	(3,395,065)	(42,919)	-
Payments to Suppliers	-	(12,225)	-	-	(529,548)	-	-	-
Payments to Employees	-	(37,000)	-	-	(3,277,562)	-	-	-
Claim Payments	-	-	-	-	-	-	-	-
Payments to Others	(4,000)	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	(4,000)
Net Cash Provided by (Used for) Operating Activities	(2,670,000)	(20,037)	(82,000)	(124,203)	(6,768,231)	2,947,284	702,396	(4,000)
<b>Cash Flows from Noncapital Financing Activities:</b>								
Proceeds from Sale of Notes and Other Borrowings	-	-	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-	-	-
Interest Payments - Bonds	-	-	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-	-	-	-
Transfers In	3,200,000	-	-	-	-	-	-	-
Transfers Out	-	-	-	-	-	-	-	-
Principal Payments on Due To Other Funds	-	-	-	-	-	-	-	(23,000)
Grants Received	-	-	-	-	-	-	-	-
Net Cash Provided by (Used for) Noncapital Financing Activities	3,200,000	-	-	-	-	-	-	(23,000)
<b>Cash Flows from Capital and Related Financing Activities:</b>								
Acquisition and Construction of Capital Assets	-	-	-	-	-	-	-	-
Payments For Discontinued Operations	-	-	-	-	-	-	-	-
Principal Payments - Notes and Other Borrowings	-	-	-	-	-	-	-	-
Interest Payments - Notes and Other Borrowings	-	-	-	-	-	-	-	-
Capital Appropriations	-	-	-	-	-	-	-	-
Net Cash Used for Capital and Related Financing Activities	-	-	-	-	-	-	-	-
<b>Cash Flows from Investing Activities:</b>								
Proceeds from Sale and Maturities of Investment Securities	-	36,447	-	-	5,050,471	11,500,000	-	20,000,000
Purchase of Investment Securities	-	-	-	-	-	(14,500,000)	-	(12,487,000)
Interest and Dividends on Investments	2,000	57,170	6,000	-	909,253	85,880	-	147,000
Disbursements for Loans and Loan Purchases	-	-	(522,000)	-	-	-	-	(10,000,000)
Receipt of Loan Principal Repayments	-	-	766,000	-	-	-	-	-
Proceeds from Collection of Loans and Notes Receivable	-	-	-	-	-	-	-	-
Loan Income Received	-	-	458,000	-	-	-	-	-
Net Cash Provided by (Used for) Investing Activities	2,000	93,617	708,000	-	5,959,724	(2,914,120)	-	(2,340,000)
<b>Net Change in Cash:</b>								
Net Increase (Decrease) in Cash and Cash Equivalents	532,000	73,580	626,000	(124,203)	(808,507)	33,164	702,396	(2,367,000)
Cash and Cash Equivalents at June 30, 2014	3,322,000	1,531,418	12,184,000	745,016	3,424,253	9,170,058	669,167	24,021,000
Cash and Cash Equivalents at June 30, 2015	<b>\$ 3,854,000</b>	<b>\$ 1,604,998</b>	<b>\$ 12,810,000</b>	<b>\$ 620,813</b>	<b>\$ 2,615,746</b>	<b>\$ 9,203,222</b>	<b>\$ 1,371,563</b>	<b>\$ 21,654,000</b>
<b>Reconciliation:</b>								
Current:								
Cash Deposits at the Bank of North Dakota	\$ 3,854,000	\$ 171,091	\$ 12,810,000	\$ 620,813	\$ 284,044	\$ 6,399,011	\$ -	\$ 21,654,000
Cash and Cash Equivalents	-	1,433,907	-	-	2,331,702	-	-	-
Restricted Cash Deposits at the Bank of North Dakota	-	-	-	-	-	2,804,211	1,371,563	-
Cash and Cash Equivalents	<b>\$ 3,854,000</b>	<b>\$ 1,604,998</b>	<b>\$ 12,810,000</b>	<b>\$ 620,813</b>	<b>\$ 2,615,746</b>	<b>\$ 9,203,222</b>	<b>\$ 1,371,563</b>	<b>\$ 21,654,000</b>

Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 307,512,755	\$ 299,589,606	\$ -	\$ 8,751,876	\$ 6,600,486	\$ 20,145,100	\$ 5,606,000	\$ 132,376,951	\$ 787,184,164
-	-	-	-	-	-	-	-	86,971
-	-	-	-	-	-	-	-	19,469,467
-	-	-	-	-	76,038	-	454,804	530,844
-	-	(495,277)	-	-	-	-	-	(615,441)
(274,066,171)	(295,414,662)	-	(4,968,683)	(4,417,205)	(12,508,118)	(501,000)	(18,195,480)	(17,938,044)
(13,604,842)	(793,375)	-	(2,049,506)	(1,706,484)	(789,393)	-	(2,235,209)	(21,720,582)
-	-	-	-	-	-	-	(121,787,048)	(125,101,610)
-	-	(336,106)	(197,616)	-	-	-	-	(537,722)
-	30,000	-	-	-	-	-	-	26,000
19,841,742	3,411,569	(831,383)	1,536,071	476,797	6,923,627	5,105,000	(9,385,982)	21,058,650
16,000,000	-	-	-	-	-	-	-	16,000,000
(21,021,616)	-	-	-	-	-	-	-	(21,021,616)
-	-	-	-	-	-	(9,000)	-	(9,000)
(302,294)	-	-	-	-	-	-	-	(302,294)
-	-	-	273,000	-	-	-	-	3,473,000
(4,111,970)	(350,000)	-	-	-	(7,822,500)	(5,667,000)	-	(17,951,470)
-	-	(4,106,715)	-	-	-	-	-	(4,129,715)
-	-	-	1,385,577	-	-	-	-	1,385,577
(9,435,880)	(350,000)	(4,106,715)	-	1,658,577	(7,822,500)	(5,676,000)	-	(22,555,518)
(10,123,599)	-	-	(698,616)	(4,025,788)	-	-	-	(14,848,003)
-	-	-	-	(9,965)	-	-	-	(9,965)
-	-	-	(61,035)	-	-	-	-	(61,035)
-	-	-	(466)	-	-	-	-	(466)
-	-	-	2,287,185	-	-	-	-	2,287,185
(10,123,599)	-	-	(760,117)	(1,748,568)	-	-	-	(12,632,284)
-	-	-	-	-	14,658,000	-	-	51,244,918
-	-	-	-	-	(14,667,000)	-	-	(41,654,000)
2,346	36,285	456	-	2,671	2,102	19,000	4,196,040	5,466,203
-	-	(286,951)	-	-	-	-	-	(10,808,951)
-	-	-	-	-	-	-	-	766,000
-	-	4,304,792	-	-	-	-	-	4,304,792
-	-	659,147	-	-	-	-	-	1,117,147
2,346	36,285	4,677,444	-	2,671	2,102	10,000	4,196,040	10,436,109
284,609	3,097,854	(260,654)	775,954	389,477	(896,771)	(561,000)	(5,189,942)	(3,693,043)
623,178	44,363,434	937,321	3,772,505	5,613,779	8,458,910	575,000	157,672,253	277,083,292
\$ 907,787	\$ 47,461,288	\$ 676,667	\$ 4,548,459	\$ 6,003,256	\$ 7,562,139	\$ 14,000	\$ 152,482,311	\$ 273,390,249
\$ 907,787	\$ 47,461,288	\$ 676,667	\$ 4,548,459	\$ 6,003,256	\$ 7,562,139	\$ 14,000	\$ 152,482,311	\$ 273,390,249

## STATE OF NORTH DAKOTA

### Combining Statement of Cash Flows Nonmajor Enterprise Funds (Continued) For the Fiscal Year Ended June 30, 2015

	Beginning Farmer Revolving Loan	Bonding	Community Water Facility Loan	Edutech	Fire and Tornado	Guaranteed Student Loan	HIT Planning Loan Fund	Medical Facility Infrastructure Loan Fund
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used for) Operating Activities:</b>								
Operating Income (Loss)	\$ (1,870,000)	\$ (95,998)	\$ 365,000	\$ (101,804)	\$ (5,167,014)	\$ 370,551	\$ 43,667	\$ (230,000)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:								
Depreciation	-	-	-	-	-	-	-	-
Amortization/Accretion	-	-	-	-	-	-	-	-
Reclassification of Interest Revenue\Expense	-	-	(447,000)	-	-	-	-	(8,000)
Interest Received on Program Loans	-	-	-	-	-	-	-	-
Receipt of Loan Principal Repayments	-	-	-	-	-	-	-	-
Provision for Losses	-	-	-	-	-	3,179,856	-	230,000
Other	-	-	-	-	-	(41,496)	-	-
Deferred Outflows	-	(287)	-	-	(9,742)	-	-	-
Deferred Inflows	-	1,302	-	-	54,946	-	-	-
Change in Assets and Liabilities:								
(Increase) Decrease in Accounts Receivable	-	18,641	-	(21,248)	(24,127)	(686,253)	-	-
Increase in Interest Receivable	-	-	-	-	-	-	753	-
(Increase) Decrease in Due From	-	-	-	-	-	-	-	-
(Increase) Decrease in Intergovernmental Receivable	-	-	-	-	-	165,121	-	-
Decrease in Notes Receivable	-	-	-	-	-	-	658,344	-
(Increase) Decrease in Prepaid Items	(800,000)	-	-	-	(21,066)	-	-	-
Increase in Inventories	-	-	-	-	-	-	-	-
(Increase) Decrease in Other Assets	-	-	-	-	-	-	-	-
Increase (Decrease) in Accounts Payable	-	53	-	(9,959)	(21,548)	130,489	(368)	-
Decrease in Interest Payable	-	-	-	-	-	-	-	-
Increase (Decrease) in Claims/Judgments Payable	-	57,108	-	-	(1,396,869)	-	-	-
Increase (Decrease) in Intergovernmental Payable	-	2	-	-	(120,164)	(588,210)	-	-
Increase (Decrease) in Accrued Payroll	-	53	-	-	(6,535)	-	-	-
Increase in Compensated Absences Payable	-	134	-	-	(12,035)	-	-	-
Decrease in Amounts Held for Others	-	-	-	-	-	-	-	-
Increase (Decrease) in Due To	-	-	-	8,808	-	417,226	-	4,000
Increase in Unavailable Revenue	-	-	-	-	-	-	-	-
Increase (Decrease) in Net Pension Liability	-	(1,045)	-	-	(44,077)	-	-	-
Increase (Decrease) in Other Liabilities	-	-	-	-	-	-	-	-
Total Adjustments	(800,000)	75,961	(447,000)	(22,399)	(1,601,217)	2,576,733	658,729	226,000
<b>Net Cash Provided by (Used for) Operating Activities</b>	<b>\$ (2,670,000)</b>	<b>\$ (20,037)</b>	<b>\$ (82,000)</b>	<b>\$ (124,203)</b>	<b>\$ (6,768,231)</b>	<b>\$ 2,947,284</b>	<b>\$ 702,396</b>	<b>\$ (4,000)</b>
<b>Noncash Transactions:</b>								
Net Change in Fair Value of Investments	\$ -	\$ (16,445)	\$ -	\$ -	\$ (154,285)	\$ -	\$ -	\$ -
Interest Revenue on Prize Reserves	-	-	-	-	-	-	-	-
Value Received on Trade of Capital Asset	-	-	-	-	-	-	-	-
Total Noncash Transactions	\$ -	\$ (16,445)	\$ -	\$ -	\$ (154,285)	\$ -	\$ -	\$ -

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Mill and Elevator	PERS Uniform Group Insurance	Rebuilders Loan Program	Roughrider Industries	State Fair	State Lottery Fund	Student Loan	Unemployment Compensation	Total
\$ 16,925,910	\$ 3,196,115	\$ 339,999	\$ 1,328,712	\$ (914,460)	\$ 6,852,222	\$ 214,000	\$ (17,592,742)	\$ 3,664,158
3,854,295	-	-	150,465	1,315,551	4,968	-	-	5,325,279
-	289,706	-	-	-	-	-	-	289,706
-	-	(428,417)	-	-	-	9,000	-	(874,417)
-	-	-	-	-	-	29,000	-	29,000
-	-	-	-	-	-	4,868,000	-	4,868,000
103,352	-	(347,300)	-	-	-	7,000	-	3,172,908
37,606	-	-	-	-	-	-	-	(3,890)
(573,685)	-	-	(42,050)	-	(53,451)	-	-	(679,215)
-	-	-	204,468	-	81,530	-	-	342,246
1,900,707	(509,882)	-	(208,064)	(11,882)	(401,047)	-	6,235,296	6,292,141
-	-	-	-	-	-	-	-	753
-	(1,826)	-	-	-	-	-	169	(1,657)
-	-	-	-	-	-	-	(2,169,132)	(2,004,011)
-	-	-	-	-	-	-	-	658,344
120,085	(207)	-	2,258	19,226	18,831	-	-	(660,873)
(1,241,949)	-	-	40,164	-	-	-	-	(1,201,785)
(4,440)	-	-	-	-	93,281	-	-	88,841
(2,299,341)	73,366	(395,665)	103,431	(6,741)	-	-	1,179,692	(1,246,591)
-	-	-	-	-	178,835	-	-	178,835
-	-	-	-	-	-	-	-	(1,339,761)
-	4,040	-	-	-	-	-	906,759	202,427
524,556	6,744	-	2,217	-	-	-	-	527,035
62,128	1,991	-	-	75,103	3,059	-	-	130,380
-	310,079	-	-	-	7,130	-	-	317,209
-	41,443	-	-	-	(1,589)	(22,000)	2,053,938	2,501,826
-	-	-	128,558	-	168,553	-	-	297,111
522,088	-	-	(164,023)	-	(28,695)	-	-	284,248
(89,570)	-	-	(10,065)	-	-	-	38	(99,597)
2,915,832	215,454	(1,171,382)	207,359	1,391,257	71,405	4,891,000	8,206,760	17,394,492
\$ 19,841,742	\$ 3,411,569	\$ (831,383)	\$ 1,536,071	\$ 476,797	\$ 6,923,627	\$ 5,105,000	\$ (9,385,982)	\$ 21,058,650
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 317	\$ -	\$ -	\$ (170,730)
-	-	-	-	13,047	-	-	-	317
\$ -	\$ -	\$ -	\$ -	\$ 13,047	\$ 317	\$ -	\$ -	\$ 13,047
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (157,366)

# STATE OF NORTH DAKOTA

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## ***Internal Service Funds***

*Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the State and to other government units, on a cost reimbursement basis.*

### **790 (927) - Central Services**

Accounts for the revenues and expenditures associated with central printing and office supply services to state agencies and the Legislative Assembly; a surplus property program for the acquisition, distribution, and disposition of federal and state surplus property and procurement services for all state agencies not exempt by statute.

### **700 (918) - Fleet Services**

Accounts for costs of operating and maintaining State-owned vehicles. Costs are billed to user agencies and include depreciation on equipment.

### **780 (929) - Information Technology Department**

Accounts used for the procurement and maintenance of data processing equipment and supplies and telecommunications equipment and supplies to provide data processing and telecommunications services to state departments and agencies.

### **288275 (912) - Risk Management Fund**

Fund provides insurance coverage and loss prevention to all state agencies and the University System for tort liability and employee injury claims. Coverage is provided using an optional combination of self-insurance and private excess insurance.

# STATE OF NORTH DAKOTA

## Combining Statement of Net Position Internal Service Funds June 30, 2015

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
<b>ASSETS</b>					
Current Assets:					
Cash Deposits at the Bank of ND	\$ 1,708,446	\$ 1,149,097	\$ 4,784,805	\$ 992,154	\$ 8,634,502
Cash and Cash Equivalents	3,157	-	-	2,309	5,466
Investments	-	-	-	12,500,598	12,500,598
Accounts Receivable - Net	7,080	56,488	123,837	-	187,405
Interest Receivable - Net	-	-	-	48,484	48,484
Intergovernmental Receivable - Net	86,391	-	786,065	-	872,456
Due from Other Funds	179,978	1,885,022	6,866,453	12,932	8,944,385
Prepaid Items	37,999	80,086	1,579,505	-	1,697,590
Inventory	93,436	-	-	-	93,436
Total Current Assets	2,116,487	3,170,693	14,140,665	13,556,477	32,984,322
Noncurrent Assets:					
Capital Assets:					
Nondepreciable	-	-	719,809	-	719,809
Depreciable, Net	224,058	85,555,677	12,387,143	-	98,166,878
Total Noncurrent Assets	224,058	85,555,677	13,106,952	-	98,886,687
Total Assets	2,340,545	88,726,370	27,247,617	13,556,477	131,871,009
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Derived from Pensions	58,069	136,884	1,711,548	23,002	1,929,503
Total Deferred Outflow of Resources	58,069	136,884	1,711,548	23,002	1,929,503
<b>LIABILITIES</b>					
Current Liabilities:					
Accounts Payable	142,171	1,858,522	3,618,140	4,892	5,623,725
Accrued Payroll	80,851	178,830	2,111,907	40,995	2,412,583
Interest Payable	-	-	-	9,336	9,336
Due to Other Funds	6,666	3,162,856	27,310	9,023	3,205,855
Claims/Judgments Payable	-	-	-	1,594,625	1,594,625
Compensated Absences Payable	3,536	4,549	151,583	2,787	162,455
Capital Leases Payable	16,287	-	-	-	16,287
Total Current Liabilities	249,511	5,204,757	5,908,940	1,661,658	13,024,866
Noncurrent Liabilities:					
Claims/Judgments Payable	-	-	-	6,102,255	6,102,255
Compensated Absences Payable	67,191	57,769	1,924,897	35,388	2,085,245
Capital Leases Payable	17,526	-	-	-	17,526
Net Pension Liability	444,351	1,008,256	12,889,281	175,312	14,517,200
Total Noncurrent Liabilities	529,068	1,066,025	14,814,178	6,312,955	22,722,226
Total Liabilities	778,579	6,270,782	20,723,118	7,974,613	35,747,092
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Derived from Pensions	86,739	196,820	2,516,040	34,317	2,833,916
Total Deferred Inflow of Resources	86,739	196,820	2,516,040	34,317	2,833,916
<b>NET POSITION</b>					
Net Investment in Capital Assets	190,245	85,555,677	13,106,951	-	98,852,873
Unrestricted	1,343,051	(3,160,025)	(7,386,945)	5,570,549	(3,633,370)
Total Net Assets	\$ 1,533,296	\$ 82,395,652	\$ 5,720,006	\$ 5,570,549	\$ 95,219,503

# STATE OF NORTH DAKOTA

## Combining Statement of Revenues, Expenses and Changes in Fund Net Position Internal Service Funds For the Fiscal Year Ended June 30, 2015

	Central Services	Fleet Services	Information Technology Department	Risk Management	Total
<b>OPERATING REVENUES</b>					
Sales and Services	\$ 2,606,986	\$ 32,311,474	\$ 57,690,590	\$ 4,560,515	\$ 97,169,565
Miscellaneous	-	53,118	-	-	53,118
<b>Total Operating Revenues</b>	<b>2,606,986</b>	<b>32,364,592</b>	<b>57,690,590</b>	<b>4,560,515</b>	<b>97,222,683</b>
<b>OPERATING EXPENSES</b>					
Cost of Sales and Services	1,153,525	-	-	-	1,153,525
Salaries and Benefits	929,821	1,604,279	25,459,636	483,912	28,477,648
Operating	440,247	17,773,713	28,264,569	680,516	47,159,045
Claims	-	-	-	4,098,889	4,098,889
Depreciation	31,534	9,145,222	4,981,956	-	14,158,712
<b>Total Operating Expenses</b>	<b>2,555,127</b>	<b>28,523,214</b>	<b>58,706,161</b>	<b>5,263,317</b>	<b>95,047,819</b>
<b>Operating Income (Loss)</b>	<b>51,859</b>	<b>3,841,378</b>	<b>(1,015,571)</b>	<b>(702,802)</b>	<b>2,174,864</b>
<b>NONOPERATING REVENUES (EXPENSES)</b>					
Interest and Investment Income	-	-	-	532,963	532,963
Interest Expense	(1,806)	-	-	(24,010)	(25,816)
Gain (Loss) on Sale of Capital Assets	(3,041)	(162,098)	(346,697)	-	(511,836)
Other	5,947	-	-	-	5,947
<b>Total Nonoperating Revenues (Expenses)</b>	<b>1,100</b>	<b>(162,098)</b>	<b>(346,697)</b>	<b>508,953</b>	<b>1,258</b>
<b>Income (Loss) Before Contributions and Transfers</b>	<b>52,959</b>	<b>3,679,280</b>	<b>(1,362,268)</b>	<b>(193,849)</b>	<b>2,176,122</b>
Capital Grants and Contributions	-	854,829	-	-	854,829
<b>Changes in Net Position</b>	<b>52,959</b>	<b>4,534,109</b>	<b>(1,362,268)</b>	<b>(193,849)</b>	<b>3,030,951</b>
<b>Total Net Position - Beginning of Year, as Adjusted</b>	<b>1,480,337</b>	<b>77,861,543</b>	<b>7,082,274</b>	<b>5,764,398</b>	<b>92,188,552</b>
<b>Total Net Position - End of Year</b>	<b>\$ 1,533,296</b>	<b>\$ 82,395,652</b>	<b>\$ 5,720,006</b>	<b>\$ 5,570,549</b>	<b>\$ 95,219,503</b>

# STATE OF NORTH DAKOTA

## Combining Statement of Cash Flows Internal Service Funds For the Fiscal Year Ended June 30, 2015

	Central Services	Fleet Services	Information Technology	Risk Management	Total
<b>Cash Flows from Operating Activities:</b>					
Receipts from Customers and Users	\$ 849,729	\$ 364,567	\$ 2,645,077	\$ 1,707,424	\$ 5,566,797
Receipts from Other Funds	1,699,052	32,007,590	52,460,703	2,859,722	89,027,067
Payments to Other Funds		(188,572)			(188,572)
Payments to Suppliers	(1,590,900)	(16,837,414)	(26,630,173)	(683,951)	(45,742,438)
Payments to Employees	(952,910)	(1,601,978)	(25,391,047)	(481,586)	(28,427,521)
Claim Payments				(362,728)	(362,728)
Payments to Others				(4,262,714)	(4,262,714)
Other	5,947	-	-	-	5,947
Net Cash Provided by (Used for) Operating Activities	10,918	13,744,193	3,084,560	(1,223,833)	15,615,838
<b>Cash Flows from Noncapital Financing Activities:</b>					
Transfers In	-	-	393,597	-	393,597
Transfers Out	-	-	(393,597)	-	(393,597)
Advances Made to Other Funds	-	(3,000,000)	-	-	(3,000,000)
Net Cash Used for Noncapital Financing Activities		(3,000,000)	-	-	(3,000,000)
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition and Construction of Capital Assets	(128,418)	(15,632,346)	(8,177,592)	-	(23,938,356)
Proceeds from Sale of Capital Assets	-	3,419,215	-	-	3,419,215
Payment on Capital Leases	(15,615)	-	-	-	(15,615)
Interest Payments - Capital Leases	(1,806)	-	-	-	(1,806)
Net Cash Used for Capital and Related Financing Activities	(145,839)	(12,213,131)	(8,177,592)	-	(20,536,562)
<b>Cash Flows from Investing Activities:</b>					
Proceeds from Sale and Maturities of Investment Securities	-	-	-	89,689	89,689
Purchase of Investment Securities	-	-	-	(239,737)	(239,737)
Interest and Dividends on Investments	-	-	-	513,801	513,801
Net Cash Provided by Investing Activities	-	-	-	363,753	363,753
<b>Net Change in Cash:</b>					
Net Decrease in Cash and Cash Equivalents	(134,921)	(1,468,938)	(5,093,032)	(860,080)	(7,556,971)
Cash and Cash Equivalents at June 30, 2014	1,846,524	2,618,035	9,877,837	1,854,543	16,196,939
Cash and Cash Equivalents at June 30, 2015	\$ 1,711,603	\$ 1,149,097	\$ 4,784,805	\$ 994,463	\$ 8,639,968
<b>Reconciliation:</b>					
Cash Deposits at the Bank of North Dakota	\$ 1,708,446	\$ 1,149,097	\$ 4,784,805	\$ 992,154	\$ 8,634,502
Cash and Cash Equivalents	3,157	-	-	2,309	5,466
Cash and Cash Equivalents	\$ 1,711,603	\$ 1,149,097	\$ 4,784,805	\$ 994,463	\$ 8,639,968
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided by (Used for) Operating Activities:</b>					
Operating Income (Loss)	\$ 51,859	\$ 3,841,378	\$ (1,015,571)	\$ (702,802)	\$ 2,174,864
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	31,534	9,145,222	4,981,956	-	14,158,712
Other	(14,201)	-	-	-	(14,201)
Deferred Outflows	(17,726)	(42,141)	(1,711,548)	(7,599)	(1,779,014)
Deferred Inflows	86,739	196,820	2,516,040	34,317	2,833,916
Change in Assets and Liabilities:					
(Increase) Decrease in Accounts Receivable	(2,582)	7,566	4,458	-	9,442
(Increase) Decrease in Due From	(23,532)	-	(1,940,562)	623	(1,963,471)
Increase in Intergovernmental Receivable	(36,117)	(146,516)	(648,707)	-	(831,340)
Increase in Prepaid Items	(5,484)	(80,086)	-	-	(85,570)
Increase in Inventories	(7,195)	-	-	-	(7,195)
Increase (Decrease) in Accounts Payable	31,179	1,016,385	2,912,857	(2,037)	3,958,384
Decrease in Claims/Judgments Payable	-	-	-	(303,164)	(303,164)
Decrease in Intergovernmental Payable	-	(42,056)	-	-	(42,056)
Increase (Decrease) in Accrued Payroll	(10,896)	10,063	52,271	2,125	53,563
Increase (Decrease) in Compensated Absences Payable	(581)	(4,529)	61,286	953	57,129
Increase (Decrease) in Due To	(2,497)	-	19,328	(218,796)	(201,965)
Decrease In Net Pension Liability	(69,582)	(157,913)	(2,147,248)	(27,453)	(2,402,196)
Total Adjustments	(40,941)	9,902,815	4,100,131	(521,031)	13,440,974
Net Cash Provided by (Used for) Operating Activities	\$ 10,918	\$ 13,744,193	\$ 3,084,560	\$ (1,223,833)	\$ 15,615,838
<b>Noncash Transactions:</b>					
Net Change in Fair Value of Investments	\$ -	\$ -	\$ -	\$ 19,651	\$ 19,651
Total Noncash Transactions	\$ -	\$ -	\$ -	\$ 19,651	\$ 19,651

# STATE OF NORTH DAKOTA

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## ***Fiduciary Funds***

*Fiduciary funds account for assets held by the State in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental organizations.*

### **Pension and Other Employee-Related Benefit Trust Funds**

#### **DEFERRED COMPENSATION**

##### 981 - Deferred Compensation Fund

Accounts for the activity of the deferred compensation plan adopted under the provisions of Internal Revenue Service Code, Section 457, for State employees.

#### **PERS FLEXCOMP**

##### 932 - Flex Program

Accounts for pre-tax premium conversions, a medical spending account and a dependent care spending account according to Section 125 of the Internal Revenue Code.

#### **HIGHWAY PATROLMEN'S RETIREMENT**

##### 982 - Highway Patrolmen's Retirement Fund

A single employer defined benefit pension plan covering officers of the State Highway Patrol.

#### **JOB SERVICE RETIREMENT**

##### 920 - Job Service Retirement Fund

A single employer defined benefit pension plan for Job Service employees. Participation in this plan is limited to employees participating in the program as of September 30, 1980.

#### **PREFUNDED RETIREE HEALTH PROGRAM**

##### 933 - Prefunded Retiree Health Program

Members receiving retirement benefits from NDPERS receive a credit toward their monthly health insurance premium under the state health plan.

#### **PUBLIC EMPLOYEES' RETIREMENT**

##### 470 (983) - Public Employees Retirement System

Accounts for the financial resources associated with the Public Employees Retirement System.

#### **DEFINED CONTRIBUTION RETIREMENT**

##### 930 - Defined Contribution Retirement Plan

Accounts for the financial resources of the Defined Contribution Retirement Plan. Participation in this plan is limited to state employees who are in positions not classified by the Central Personnel Division and who are not employees of the judicial branch or board of higher education.

#### **TEACHERS' RETIREMENT**

##### 964 - North Dakota Teachers' Fund For Retirement

Accounts for the financial resources of the Teachers' Retirement Fund.

#### **Investment Trust Funds**

##### 911 - ND Association of Counties RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the North Dakota Association of Counties.

##### 913 - City of Bismarck RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Bismarck.

##### 936 - City of Grand Forks RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Grand Forks.

##### 950 - City of Fargo RIO Investments

Account for the investment assets held by the State Investment Board in a trustee capacity as an agent for the City of Fargo.

#### **Private Purpose Trust Funds**

#### **STUDENT AND CULTURAL DONATIONS**

##### 928 - Indian Cultural Education Trust Fund

Trust accounts for donations provided for the purpose of generating income to benefit Indian Culture.

##### 937 - Department of Public Instruction Thordarson Scholarship Trust Fund

Fund used to provide scholarship grants to students enrolled in courses offered by the independent study division.

##### 988 - School for the Deaf Scholarship Trust Fund

Account for funds donated to provide scholarships to deaf students.

##### 989 - School for the Deaf Student Trust Funds

Accounts for funds donated to the School for the Deaf for the benefit of the students.

**COLLEGE SAVE****940 - College SAVE**

Program established by the State of North Dakota to encourage the investment of funds to be used for qualified higher education expenses at institutions of higher education.

**MANDAN REMEDIATION TRUST****943 - Mandan Remediation Trust**

Accounts for the funds obtained from a lawsuit settlement for the remediation efforts of the North Dakota Health Department and the City of Mandan.

**Agency Funds****BONDING****402 - Sales and Use Tax Deposit Fund**

Accounts for cash received in lieu of a surety bond for sales tax permit holders.

**403 - Motor Fuel Cash Bond Deposit Fund**

Accounts for cash received in lieu of a surety bond for motor vehicle fuel dealers.

**939 - Public Service Commission Trustee Account**

Accounts for savings certificates posted in lieu of performance bonds for surface mining activities and grain elevator insolvency cases.

**942 - Agriculture Cash and Investment**

Accounts for securities or bonds in lieu of a surety bond relating to the operation of livestock dealers, auction markets and dairy plants.

**944 - Cash Bonds**

Accounts for the financial resources for the plugging of abandoned oil and gas wells and the reclamation of abandoned oil and gas well sites.

**945 - Insurance Company Deposits**

Accounts for securities of domestic insurance companies required by the NDCC to keep on deposit with the Insurance Commissioner securities in a value equal to the policies they have in force.

**947 - District Court Bond Fund**

Accounts for bail bonds posted for civil and criminal court cases.

**PAYROLL****461 - OMB Unemployment/Payroll Clearing Fund**

Accounts for employers and employees payroll taxes and other deductions such as, insurance and credit union deductions, etc.

**CHILD SUPPORT****463 - Child Support Disbursement Unit Fund**

Accounts for all child support payments received by the state disbursement unit.

**STUDENT AND OTHER****406 - Drivers License Trust Fund**

Accounts for cash received from a motor vehicle operator involved in an accident and has no automobile liability policy and the driver was negligent.

**946 - District Court Collection Fund**

Accounts for collections for third parties.

**986 - Developmental Center Residents' Funds**

Accounts for funds belonging to patients of the State Developmental Center.

**990 - Veteran's Home-Custodial**

Accounts for resident's personal funds.

**991 - State Hospital Patients**

Accounts for patient's personal funds.

**992 - Prisoner Accounts**

Accounts for prisoner's personal fund.

**993 - Youth Correctional Center Student Accounts**

Account for the student's personal funds.

**994 - School for the Deaf Students**

Account for the students personal funds.

**TAX COLLECTION****434 - City Lodging Tax Suspense**

Accounts for city lodging tax collected by the State Tax Commissioner.

**435 - City Sales Tax Suspense**

Accounts for city sales and use taxes collected by the State Tax Commission.

**437 - City Motor Vehicle Rental Tax**

Accounts for city motor vehicle rental tax collected by the state tax commissioner.

**438 - City Restaurant and Lodge Tax Suspense**

A city tax, at a rate not to exceed one percent, upon the gross receipts of retailers on the leasing or renting of hotel, motel, or tourist court accommodations within the city and gross receipts of a restaurant from any sales of prepared food or beverages, not including alcoholic beverages for consumption off the premises where purchased is collected by the State Tax Commissioner. Proceeds, net of a 3% administrative fee which is deposited into the general fund, are remitted quarterly to each city collecting the tax.

# STATE OF NORTH DAKOTA

## Combining Statement of Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds June 30, 2015

Pension and Other Employee Benefit Trust Funds											
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program					
<b>ASSETS</b>											
Cash Deposits at the Bank of ND	\$ 193,970	\$ 119,835	\$ -	\$ 343	\$ 817,443	\$ 300,756					
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -					
Receivables:											
Contributions Receivable	564,867	219,513	30	3,931	493,620	859,924					
Accounts Receivable - Net	-	-	-	-	-	-					
Interest Receivable - Net	-	-	126,209	106,664	-	87,940					
Due from Other Funds	-	-	-	-	1,120	360,319					
Due from Fiduciary Funds	-	292	-	1,878	14,120	14,004					
Total Receivables	564,867	219,805	126,239	112,473	508,860	1,322,187					
Investments, at Fair Value:											
Investments at the Bank of ND	-	-	-	-	-	-					
Equity Pool	-	-	35,752,212	37,726,351	-	59,124,528					
Fixed Income Pool	1,223,316	1,148,289	15,401,931	57,998,983	-	38,458,592					
Cash and Cash Pool	-	-	1,105,858	560,562	-	-					
Real Estate Pool	-	-	11,850,891	-	-	-					
Alternative Investments	-	-	2,449,007	-	-	-					
Annuities	114,498	-	-	-	-	-					
Mutual Funds	71,701,023	34,653,967	-	-	-	-					
Total Investments	73,038,837	35,802,256	66,559,899	96,285,896	-	97,583,120					
Invested Securities Lending Collateral	-	-	-	-	-	-					
Prepaid Items	138	-	-	-	69	-					
Capital Assets (Net of Depreciation)	1,028,686	14,083	17,900	12,021	514,343	196,448					
Other Assets	-	-	-	-	-	-					
Total Assets	74,826,498	36,155,979	66,704,038	96,410,733	1,840,715	99,402,511					
<b>DEFERRED OUTFLOWS OF RESOURCES</b>											
Derived from Pensions	-	-	-	-	-	-					
Total deferred outflows of resources	-	-	-	-	-	-					
<b>LIABILITIES</b>											
Accounts Payable	18,780	-	30	127,280	18,390	-					
Accrued Payroll	40,545	-	-	-	18,441	-					
Securities Lending Collateral	-	-	-	-	-	-					
Due to Other Funds	3,648	176	-	-	2,116	128					
Due to Fiduciary Funds	13,292	22,790	28,280	561	-	246,682					
Amounts Held in Custody for Others	18,695	-	-	-	-	-					
Compensated Absences Payable	35,283	-	-	-	22,920	-					
Total Liabilities	130,243	22,966	28,310	127,841	61,867	246,810					
<b>DEFERRED INFLOWS OF RESOURCES</b>											
Derived from Pensions	-	-	-	-	-	-					
Total deferred inflows of resources	-	-	-	-	-	-					
<b>NET POSITION</b>											
Net Position Restricted for:											
Pension Benefits	74,696,255	36,133,013	66,675,728	96,282,892	-	99,155,701					
Other Employee Benefits	-	-	-	-	1,778,848	-					
External Investment Pool Participants	-	-	-	-	-	-					
Other Purposes	-	-	-	-	-	-					
Total Net Position Restricted for Pension Benefits and Other Purposes	\$ 74,696,255	\$ 36,133,013	\$ 66,675,728	\$ 96,282,892	\$ 1,778,848	\$ 99,155,701					

Pension and Other Employee Benefit Trust Funds			Investment Trust Funds				
Public Employees Retirement	Teachers Retirement	Total	City of Bismarck	ND Association of Counties	City of Grand Forks	City of Fargo	Total
\$ 7,700,778	\$ 18,964,646	\$ 28,097,771	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
10,097,551	23,611,773	35,851,209	-	-	-	-	-
-	-	-	-	-	-	-	-
4,462,618	8,574,358	13,357,789	145,893	827	33,293	34,211	214,224
460	-	361,899	-	-	-	-	-
205,726	142	236,162	-	-	-	-	-
14,766,355	32,186,273	49,807,059	145,893	827	33,293	34,211	214,224
-	-	-	-	-	-	-	-
1,263,057,765	1,114,412,547	2,510,073,403	52,302,565	1,151,266	36,979,772	20,463,235	110,896,838
544,120,975	480,175,754	1,138,527,840	39,583,535	2,185,100	16,273,947	15,978,096	74,020,678
39,067,851	29,631,182	70,365,453	872,835	496,307	788,439	412,646	2,570,227
418,669,456	389,351,436	819,871,783	21,656,812	-	8,430,542	4,120,319	34,207,673
86,518,762	81,662,078	170,629,847	3,946,294	-	2,761,518	-	6,707,812
-	-	114,498	-	-	-	-	-
-	-	106,354,990	-	-	-	-	-
2,351,434,809	2,095,232,997	4,815,937,814	118,362,041	3,832,673	65,234,218	40,974,296	228,403,228
-	-	-	-	-	-	-	-
276	-	483	-	-	-	-	-
2,043,278	-	3,826,759	-	-	-	-	-
-	-	-	-	-	-	-	-
2,375,945,496	2,146,383,916	4,897,669,886	118,507,934	3,833,500	65,267,511	41,008,507	228,617,452
-	76,002	76,002	-	-	-	-	-
-	76,002	76,002	-	-	-	-	-
4,012,487	4,437,221	8,614,188	183,430	2,411	92,751	38,240	316,832
91,535	-	150,521	-	-	-	-	-
-	-	-	-	-	-	-	-
32,375	8,722	47,165	-	-	-	-	-
1,878	-	313,483	-	-	-	-	-
-	-	18,695	-	-	-	-	-
96,412	-	154,615	-	-	-	-	-
4,234,687	4,445,943	9,298,667	183,430	2,411	92,751	38,240	316,832
-	93,175	93,175	-	-	-	-	-
-	93,175	93,175	-	-	-	-	-
2,371,710,809	2,141,920,800	4,886,575,198	-	-	-	-	-
-	-	1,778,848	-	-	-	-	-
-	-	-	118,324,504	3,831,089	65,174,760	40,970,267	228,300,620
-	-	-	-	-	-	-	-
\$ 2,371,710,809	\$ 2,141,920,800	\$ 4,888,354,046	\$ 118,324,504	\$ 3,831,089	\$ 65,174,760	\$ 40,970,267	\$ 228,300,620

# STATE OF NORTH DAKOTA

## Combining Statement of Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds June 30, 2015

<b>Private-Purpose Trust Funds</b>					
	<b>Student and Cultural Donations</b>	<b>Mandan Remediation Trust</b>	<b>College SAVE</b>	<b>Total</b>	
<b>ASSETS</b>					
Cash Deposits at the Bank of ND	\$ 125,084	\$ 6,986,085	\$ -	\$ 7,111,169	
Cash and Cash Equivalents	12,747	1,578,781	1,379,390	2,970,918	
Receivables:					
Contributions Receivable	-	-	-	-	
Accounts Receivable - Net	-	-	105,750	105,750	
Interest Receivable - Net	848	-	-	848	
Due from Other Funds	3	-	-	3	
Due from Fiduciary Funds	-	-	-	-	
Total Receivables	851	-	105,750	106,601	
Investments, at Fair Value:					
Investments at the Bank of ND	21,597	-	-	21,597	
Equity Pool	-	-	-	-	
Fixed Income Pool	1,205,104	-	-	1,205,104	
Cash and Cash Pool	-	-	-	-	
Real Estate Pool	-	-	-	-	
Alternative Investments	-	-	-	-	
Annuities	-	-	-	-	
Mutual Funds	-	-	384,478,493	384,478,493	
Total Investments	1,226,701	-	384,478,493	385,705,194	
Invested Securities Lending Collateral	58,456	-	-	58,456	
Prepaid Items	-	-	-	-	
Capital Assets (Net of Depreciation)	-	-	-	-	
Other Assets	-	-	-	-	
Total Assets	1,423,839	8,564,866	385,963,633	395,952,338	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
Derived from Pensions	-	-	-	-	
Total deferred outflows of resources	-	-	-	-	
<b>LIABILITIES</b>					
Accounts Payable	405	64,043	1,280,508	1,344,956	
Accrued Payroll	-	-	-	-	
Securities Lending Collateral	58,456	-	-	58,456	
Due to Other Funds	-	-	-	-	
Due to Fiduciary Funds	-	-	-	-	
Amounts Held in Custody for Others	-	-	-	-	
Compensated Absences Payable	-	-	-	-	
Total Liabilities	58,861	64,043	1,280,508	1,403,412	
<b>DEFERRED INFLOWS OF RESOURCES</b>					
Derived from Pensions	-	-	-	-	
Total deferred inflows of resources	-	-	-	-	
<b>NET POSITION</b>					
Net Position Restricted for:					
Pension Benefits	-	-	-	-	
Other Employee Benefits	-	-	-	-	
External Investment Pool Participants	-	-	-	-	
Other Purposes	1,364,978	8,500,823	384,683,125	394,548,926	
Total Net Position Restricted for Pension Benefits and Other Purposes	\$ 1,364,978	\$ 8,500,823	\$ 384,683,125	\$ 394,548,926	



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# STATE OF NORTH DAKOTA

## Combining Statement of Changes in Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds For the Fiscal Year Ended June 30, 2015

	Pension and Other Employee Benefit Trust Funds					
	Deferred Compensation	Defined Contribution Retirement	Highway Patrolmen's Retirement	Job Service Retirement	PERS Flexcomp	Prefunded Retiree Health Program
<b>ADDITIONS</b>						
Contributions:						
Employer	\$ -	\$ 1,240,684	\$ 2,002,291	\$ -	\$ -	\$ 11,478,599
Employee	8,329,715	1,219,774	1,351,798	50,142	5,559,317	12,625
From Participants	-	-	-	-	-	-
Transfers from Other Funds	350,000	182,647	-	-	-	-
Transfers from Other Plans	1,491,209	-	-	-	-	-
Donations	-	-	-	-	-	-
Total Contributions	10,170,924	2,643,105	3,354,089	50,142	5,559,317	11,491,224
Investment Income:						
Net Change in Fair Value of Investments	(5,703,789)	(1,034,532)	1,287,164	1,818,431	-	936,842
Interest and Dividends	7,718,662	2,049,613	1,278,179	1,721,361	458	2,105,589
Less Investment Expense	-	19,907	230,563	279,285	-	281,478
Net Investment Income	2,014,873	995,174	2,334,780	3,260,507	458	2,760,953
Repurchase Service Credit	-	-	96,429	-	-	347,238
Miscellaneous Income	350,338	20,855	-	-	705,660	-
Total Additions	12,536,135	3,659,134	5,785,298	3,310,649	6,265,435	14,599,415
<b>DEDUCTIONS</b>						
Benefits Paid to Participants	2,781,735	992,163	4,528,178	4,694,171	5,566,438	1,318
Refunds	-	-	217,332	-	-	6,994
Prefunded Credit Applied	-	-	-	-	-	7,246,091
Transfer to Other Plans	-	-	-	-	-	-
Payments in Accordance with Trust Agreements	-	-	-	-	-	-
Administrative Expenses	871,144	13,733	30,925	30,214	536,618	217,989
Total Deductions	3,652,879	1,005,896	4,776,435	4,724,385	6,103,056	7,472,392
Purchase (Redemption) of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-	-	-
Change in Net Position Held in Trust for:						
Pension Benefits	8,883,256	2,653,238	1,008,863	(1,413,736)	-	7,127,023
Other Employee Benefits	-	-	-	-	162,379	-
External Investment Pool Participants	-	-	-	-	-	-
Other Purposes	-	-	-	-	-	-
Net Position - Beginning of Year	65,812,999	33,479,775	65,666,865	97,696,628	1,616,469	92,028,678
Net Position - End of Year	\$ 74,696,255	\$ 36,133,013	\$ 66,675,728	\$ 96,282,892	\$ 1,778,848	\$ 99,155,701

Pension and Other Employee Benefit Trust Funds				Investment Trust Funds				
Public Employees Retirement	Teachers Retirement	Total		City of Bismarck	ND Association of Counties	City of Grand Forks	City of Fargo	Total
\$ 70,842,535	\$ 78,422,098	\$ 163,986,207	\$	-	\$	-	\$	\$ -
68,392,061	72,268,451	157,183,883		-	-	-	-	-
-	-	-		-	-	-	-	-
-	-	532,647		-	-	-	-	-
-	-	1,491,209		-	-	-	-	-
-	-	-		-	-	-	-	-
139,234,596	150,690,549	323,193,946		-	-	-	-	-
44,887,622	39,635,140	81,826,878	2,329,982	26,016	1,275,824	579,771	4,211,593	
44,597,780	40,486,496	99,958,138	2,285,415	68,564	1,176,842	840,698	4,371,519	
7,948,837	6,916,830	15,676,900	401,497	7,015	205,073	99,003	712,588	
81,536,565	73,204,806	166,108,116	4,213,900	87,565	2,247,593	1,321,466	7,870,524	
6,651,879	1,600,739	8,696,285	-	-	-	-	-	
-	172,474	1,249,327	-	-	-	-	-	
227,423,040	225,668,568	499,247,674	4,213,900	87,565	2,247,593	1,321,466	7,870,524	
127,179,525	168,349,762	314,093,290	-	-	-	-	-	
7,217,565	3,889,671	11,331,562	-	-	-	-	-	
-	-	7,246,091	-	-	-	-	-	
532,647	-	532,647	-	-	-	-	-	
-	-	-	-	-	-	-	-	
2,365,357	1,923,392	5,989,372	-	-	-	-	-	
137,295,094	174,162,825	339,192,962	-	-	-	-	-	
-	-	-	-	300,000	(809,016)	(2,108,156)	(2,617,172)	
90,127,946	51,505,743	159,892,333	-	-	-	-	-	
-	-	162,379	4,213,900	387,565	1,438,577	(786,690)	5,253,352	
-	-	-	-	-	-	-	-	
2,281,582,863	2,090,415,057	4,728,299,334	114,110,604	3,443,524	63,736,183	41,756,957	223,047,268	
\$ 2,371,710,809	\$ 2,141,920,800	\$ 4,888,354,046	\$ 118,324,504	\$ 3,831,089	\$ 65,174,760	\$ 40,970,267	\$ 228,300,620	

# STATE OF NORTH DAKOTA

## Combining Statement of Changes in Fiduciary Net Position Pension, Investment and Private-Purpose Trust Funds For the Fiscal Year Ended June 30, 2015

	Private-Purpose Trust Funds			
	Student and Cultural Donations	Mandan Remediation Trust	College SAVE	Total
<b>ADDITIONS</b>				
Contributions:				
Employer	\$ -	\$ -	\$ -	\$ -
Employee	-	-	-	-
From Participants	-	-	39,008,006	39,008,006
Transfers from Other Funds	-	-	-	-
Transfers from Other Plans	-	-	-	-
Donations	305,967	-	-	305,967
Total Contributions	305,967	-	39,008,006	39,313,973
Investment Income:				
Net Change in Fair Value of Investments	(12,443)	-	15,592,697	15,580,254
Interest and Dividends	22,454	6,712	8,066,367	8,095,533
Less Investment Expense	-	-	-	-
Net Investment Income	10,011	6,712	23,659,064	23,675,787
Repurchase Service Credit	-	-	-	-
Miscellaneous Income	-	-	-	-
Total Additions	315,978	6,712	62,667,070	62,989,760
<b>DEDUCTIONS</b>				
Benefits Paid to Participants	-	-	-	-
Refunds	-	-	-	-
Prefunded Credit Applied	-	-	-	-
Transfer to Other Plans	-	-	-	-
Payments in Accordance with Trust Agreements	5,519	287,860	35,809,135	36,102,514
Administrative Expenses	2,298	11,392	2,842,415	2,856,105
Total Deductions	7,817	299,252	38,651,550	38,958,619
Purchase (Redemption) of Units at Net Asset Value of \$1.00 Per Unit	-	-	-	-
Change in Net Position Held in Trust for:				
Pension Benefits	-	-	-	-
Other Employee Benefits	-	-	-	-
External Investment Pool Participants	-	-	-	-
Other Purposes	308,161	(292,540)	24,015,520	24,031,141
Net Position - Beginning of Year	1,056,817	8,793,363	360,667,605	370,517,785
Net Position - End of Year	\$ 1,364,978	\$ 8,500,823	\$ 384,683,125	\$ 394,548,926

**STATE OF NORTH DAKOTA**

**Combining Statement of Fiduciary Assets and Liabilities**

**Agency Funds**

June 30, 2015

	<b>Bonding</b>	<b>Payroll</b>	<b>Child Support</b>	<b>Student and Other</b>	<b>Tax Collection</b>	<b>Total</b>
<b>ASSETS</b>						
Cash Deposits at the Bank of ND	\$ 7,983,161	\$ 154,780	\$ 2,414,436	\$ 1,226,090	\$ 20,513,034	\$ 32,291,501
Cash and Cash Equivalents	6,668,971	-	132,742	482,688	4,346,479	11,630,880
Investments at the Bank of ND	28,171,545	-	-	50,025	-	28,221,570
Investments	140,605	-	-	-	-	140,605
Accounts Receivable - Net	25,999	11,125,200	-	-	-	11,151,199
Taxes Receivable - Net	-	-	-	-	36,055,879	36,055,879
<b>Total Assets</b>	<b>\$ 42,990,281</b>	<b>\$ 11,279,980</b>	<b>\$ 2,547,178</b>	<b>\$ 1,758,803</b>	<b>\$ 60,915,392</b>	<b>\$ 119,491,634</b>
<b>LIABILITIES</b>						
Intergovernmental Payable	\$ -	\$ 11,129,968	\$ -	\$ -	\$ 60,887,868	\$ 72,017,836
Tax Refunds Payable	42,000	-	-	-	27,524	69,524
Amounts Held in Custody for Others	42,948,281	150,012	2,547,178	1,758,803	-	47,404,274
<b>Total Liabilities</b>	<b>\$ 42,990,281</b>	<b>\$ 11,279,980</b>	<b>\$ 2,547,178</b>	<b>\$ 1,758,803</b>	<b>\$ 60,915,392</b>	<b>\$ 119,491,634</b>

# STATE OF NORTH DAKOTA

## Combining Statement of Changes in Assets and Liabilities Agency Funds For the Fiscal Year Ended June 30, 2015

	June 30 2014	Additions	Deductions	June 30 2015
<b>Bonding</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 8,073,990	\$ 1,101,571	\$ 1,192,400	\$ 7,983,161
Cash and Cash Equivalents	11,836,636	6,550,831	11,718,496	6,668,971
Investments at the Bank of ND	27,326,757	1,385,419	540,631	28,171,545
Investments	130,000	10,605	-	140,605
Accounts Receivable - Net	102,952	25,999	102,952	25,999
Total Assets	<u>\$ 47,470,335</u>	<u>\$ 9,074,425</u>	<u>\$ 13,554,479</u>	<u>\$ 42,990,281</u>
<b>LIABILITIES</b>				
Tax Refunds Payable	\$ 32,842	\$ 42,000	\$ 32,842	\$ 42,000
Amounts Held in Custody for Others	47,437,493	8,971,473	13,460,685	42,948,281
Total Liabilities	<u>\$ 47,470,335</u>	<u>\$ 9,013,473</u>	<u>\$ 13,493,527</u>	<u>\$ 42,990,281</u>
<b>Payroll</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 222,779	\$ 128,307,501	\$ 128,375,500	\$ 154,780
Accounts Receivable - Net	10,333,955	11,125,200	10,333,955	11,125,200
Total Assets	<u>\$ 10,556,734</u>	<u>\$ 139,432,701</u>	<u>\$ 138,709,455</u>	<u>\$ 11,279,980</u>
<b>LIABILITIES</b>				
Intergovernmental Payable	\$ 10,425,631	\$ 11,129,968	\$ 10,425,631	\$ 11,129,968
Amounts Held in Custody for Others	131,103	129,098,745	129,079,836	150,012
Total Liabilities	<u>\$ 10,556,734</u>	<u>\$ 140,228,713</u>	<u>\$ 139,505,467</u>	<u>\$ 11,279,980</u>
<b>Child Support</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 2,020,539	\$ 130,476,631	\$ 130,082,734	\$ 2,414,436
Cash and Cash Equivalents	524,509	(391,767)	-	132,742
Accounts Receivable - Net	6,531	(6,531)	-	-
Total Assets	<u>\$ 2,551,579</u>	<u>\$ 130,078,333</u>	<u>\$ 130,082,734</u>	<u>\$ 2,547,178</u>
<b>LIABILITIES</b>				
Amounts Held in Custody for Others	\$ 2,551,579	\$ 131,053,653	\$ 131,058,054	\$ 2,547,178
Total Liabilities	<u>\$ 2,551,579</u>	<u>\$ 131,053,653</u>	<u>\$ 131,058,054</u>	<u>\$ 2,547,178</u>

	June 30 2014	Additions	Deductions	June 30 2015
<b>Student and Other</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 1,000,025	\$ 3,636,790	\$ 3,410,725	\$ 1,226,090
Cash and Cash Equivalents	496,815	2,957,911	2,972,038	482,688
Investments at the Bank of ND	50,000	-	(25)	50,025
Interest Receivable - Net	25	-	25	-
Other Assets	45	1,157,453	1,157,498	-
<b>Total Assets</b>	<b>\$ 1,546,910</b>	<b>\$ 7,752,154</b>	<b>\$ 7,540,261</b>	<b>\$ 1,758,803</b>
<b>LIABILITIES</b>				
Amounts Held in Custody for Others	\$ 1,546,910	\$ 7,754,154	\$ 7,542,261	\$ 1,758,803
<b>Total Liabilities</b>	<b>\$ 1,546,910</b>	<b>\$ 7,754,154</b>	<b>\$ 7,542,261</b>	<b>\$ 1,758,803</b>
<b>Tax Collection</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 15,170,968	\$ 303,547,444	\$ 298,205,378	\$ 20,513,034
Cash and Cash Equivalents	6,385,661	269,273	2,308,455	4,346,479
Taxes Receivable - Net	29,773,035	36,055,879	29,773,035	36,055,879
<b>Total Assets</b>	<b>\$ 51,329,664</b>	<b>\$ 339,872,596</b>	<b>\$ 330,286,868</b>	<b>\$ 60,915,392</b>
<b>LIABILITIES</b>				
Intergovernmental Payable	\$ 51,326,588	\$ 367,184,832	\$ 357,623,552	\$ 60,887,868
Tax Refunds Payable	3,076	27,524	3,076	27,524
<b>Total Liabilities</b>	<b>\$ 51,329,664</b>	<b>\$ 367,212,356</b>	<b>\$ 357,626,628</b>	<b>\$ 60,915,392</b>
<b>Total -All Agency Funds</b>				
<b>ASSETS</b>				
Cash Deposits at the Bank of ND	\$ 26,488,301	\$ 567,069,937	\$ 561,266,737	\$ 32,291,501
Cash and Cash Equivalents	19,243,621	9,386,248	16,998,989	11,630,880
Investments at the Bank of ND	27,376,757	1,385,419	540,606	28,221,570
Investments	130,000	10,605	-	140,605
Accounts Receivable - Net	10,443,438	11,144,668	10,436,907	11,151,199
Taxes Receivable - Net	29,773,035	36,055,879	29,773,035	36,055,879
Interest Receivable - Net	25	-	25	-
Other Assets	45	1,157,453	1,157,498	-
<b>Total Assets</b>	<b>\$ 113,455,222</b>	<b>\$ 626,210,209</b>	<b>\$ 620,173,797</b>	<b>\$ 119,491,634</b>
<b>LIABILITIES</b>				
Intergovernmental Payable	\$ 61,752,219	\$ 378,314,800	\$ 368,049,183	\$ 72,017,836
Tax Refunds Payable	35,918	69,524	35,918	69,524
Amounts Held in Custody for Others	51,667,085	276,878,025	281,140,836	47,404,274
<b>Total Liabilities</b>	<b>\$ 113,455,222</b>	<b>\$ 655,262,349</b>	<b>\$ 649,225,937</b>	<b>\$ 119,491,634</b>

# Statistical Information

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**STATE OF NORTH DAKOTA**

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**Schedule 1 -- Net Position by Component**

**Last Ten Fiscal Years**

*(accrual basis of accounting)*

	2006	2007	2008	2009
<b>Governmental Activities</b>				
Net Investment in Capital Assets	\$ 1,077,843,107	\$ 1,151,716,486	\$ 1,400,535,033	\$ 1,323,476,716
Restricted	1,281,416,598	1,384,212,299	1,458,565,511	1,502,237,251
Unrestricted	538,891,416	894,967,295	1,119,875,688	1,562,969,653
<b>Total Governmental Activities Net Position</b>	<b>\$ 2,898,151,121</b>	<b>\$ 3,430,896,080</b>	<b>\$ 3,978,976,232</b>	<b>\$ 4,388,683,620</b>
<b>Business-Type Activities</b>				
Net Investment in Capital Assets	\$ 516,243,464	\$ 527,402,572	\$ 546,699,435	\$ 578,827,822
Restricted	391,312,218	478,219,512	532,954,637	500,433,232
Unrestricted	820,268,283	745,972,838	653,004,847	563,679,410
<b>Total Business-Type Activities Net Position</b>	<b>\$ 1,727,823,965</b>	<b>\$ 1,751,594,922</b>	<b>\$ 1,732,658,919</b>	<b>\$ 1,642,940,464</b>
<b>Primary Government</b>				
Net Investment in Capital Assets	\$ 1,594,086,571	\$ 1,679,119,058	\$ 1,947,234,468	\$ 1,902,304,538
Restricted	1,672,728,816	1,862,431,811	1,991,520,148	2,011,110,394
Unrestricted	1,359,159,699	1,640,940,133	1,772,880,535	2,118,209,152
<b>Total Primary Government Net Position</b>	<b>\$ 4,625,975,086</b>	<b>\$ 5,182,491,002</b>	<b>\$ 5,711,635,151</b>	<b>\$ 6,031,624,084</b>

	2010		2011		2012		2013		2014		2015			
\$	1,450,350,320		\$	1,640,080,874		\$	1,943,226,802		\$	2,331,214,264		\$	3,622,722,021	
	1,984,324,201			2,470,400,337			3,094,031,766			3,786,154,729			4,976,564,822	
	1,772,441,595			2,537,062,796			3,635,538,536			5,597,014,917			7,109,867,360	
<b>\$</b>	<b>5,207,116,116</b>		<b>\$</b>	<b>6,647,544,007</b>		<b>\$</b>	<b>8,672,797,104</b>		<b>\$</b>	<b>11,714,383,910</b>		<b>\$</b>	<b>14,588,666,806</b>	
													<b>\$</b>	<b>16,689,941,230</b>
\$	644,108,459		\$	706,459,639		\$	752,357,235		\$	792,067,993		\$	844,395,270	
	445,609,412			452,312,013			569,991,053			632,431,958			600,269,799	
	749,258,206			916,758,798			957,796,166			1,019,582,872			1,287,315,405	
<b>\$</b>	<b>1,838,976,077</b>		<b>\$</b>	<b>2,075,530,450</b>		<b>\$</b>	<b>2,280,144,454</b>		<b>\$</b>	<b>2,444,082,823</b>		<b>\$</b>	<b>2,731,980,474</b>	
													<b>\$</b>	<b>2,948,256,271</b>
\$	2,094,458,779		\$	2,346,540,513		\$	2,695,584,037		\$	3,123,282,257		\$	3,346,629,894	
	2,429,933,613			2,922,712,350			3,664,022,819			4,418,586,687			5,576,834,621	
	2,521,699,801			3,453,821,594			4,593,334,702			6,616,597,789			8,397,182,765	
<b>\$</b>	<b>7,046,092,193</b>		<b>\$</b>	<b>8,723,074,457</b>		<b>\$</b>	<b>10,952,941,558</b>		<b>\$</b>	<b>14,158,466,733</b>		<b>\$</b>	<b>17,320,647,280</b>	
													<b>\$</b>	<b>19,638,197,501</b>

**STATE OF NORTH DAKOTA**

**Schedule 2 -- Changes in Net Position**

**Last Ten Fiscal Years**

(accrual basis of accounting)

	2006	2007	2008	2009
<b>Expenses</b>				
Governmental Activities:				
General Governmental	\$ 264,911,163	\$ 275,242,149	\$ 313,329,720	\$ 418,220,944
Education	496,821,495	507,384,841	537,756,698	564,818,600
Health and Human Services	854,450,025	874,003,750	960,439,610	1,005,299,226
Regulatory	19,676,826	21,180,817	28,265,610	26,581,606
Public Safety and Corrections	145,479,620	135,581,887	135,067,907	194,263,845
Agriculture and Commerce	54,457,817	58,591,473	67,941,955	68,057,495
Natural Resources	62,430,892	57,850,544	64,090,113	64,816,773
Transportation	372,245,432	321,278,940	318,241,207	382,619,328
Interest on Long Term Debt	12,880,933	14,438,858	13,293,248	12,683,901
Total Governmental Activities Expenses	<b>2,283,354,203</b>	<b>2,265,553,259</b>	<b>2,438,426,068</b>	<b>2,737,361,718</b>
Business-Type Activities:				
Bank of North Dakota	\$ 71,263,587	\$ 91,261,449	\$ 108,077,704	\$ 99,089,692
Housing Finance	46,579,809	51,178,023	58,815,920	59,769,233
Loan Programs	17,235,546	9,453,454	9,657,603	6,776,733
State Lottery	15,622,027	16,068,060	16,205,287	16,122,996
Unemployment Compensation	43,314,505	47,524,928	46,911,958	106,475,262
University System	743,271,216	775,600,118	835,873,088	894,733,624
Workers Compensation	116,020,938	231,787,346	246,581,569	168,527,183
Other	116,120,539	143,590,245	266,193,540	249,602,025
Total Business-Type Activities Expenses	<b>1,169,428,167</b>	<b>1,366,463,623</b>	<b>1,588,316,669</b>	<b>1,601,096,748</b>
<b>Total Primary Government Expenses</b>	<b>\$ 3,452,782,370</b>	<b>\$ 3,632,016,882</b>	<b>\$ 4,026,742,737</b>	<b>\$ 4,338,458,466</b>
<b>Program Revenues</b>				
Governmental Activities:				
Charges for Services:				
General Governmental	\$ 23,186,427	\$ 22,288,219	\$ 18,874,082	\$ 24,085,311
Education	3,675,283	3,616,003	3,994,400	4,325,036
Health and Human Services	29,134,050	24,970,751	31,576,197	34,200,110
Regulatory	17,072,857	20,267,416	21,266,588	19,418,470
Public Safety and Corrections	7,189,302	7,307,975	9,451,217	10,572,514
Agriculture and Commerce	22,935,699	19,593,774	28,180,590	22,749,832
Natural Resources	20,685,820	22,678,382	26,030,413	26,553,195
Transportation	77,967,969	74,146,958	71,469,872	87,100,993
Operating Grants and Contributions	1,144,749,200	1,148,061,678	1,041,410,981	1,131,838,131
Capital Grants and Contributions	56,556,872	71,115,382	68,471,590	57,064,724
Total Governmental Activities Program Revenues	<b>1,403,153,479</b>	<b>1,414,046,538</b>	<b>1,320,725,930</b>	<b>1,417,908,316</b>
Business-Type Activities:				
Charges for Services:				
Bank of North Dakota	107,518,000	135,843,000	158,993,000	155,951,000
Housing Finance	39,209,000	45,137,000	53,106,863	53,438,021
Loan Programs	17,406,328	12,535,071	10,522,025	6,941,602
State Lottery	22,413,359	22,772,976	22,219,058	21,815,381
Unemployment Compensation	60,709,015	56,855,823	51,993,327	75,137,232
University System	331,584,391	351,789,074	369,469,634	400,638,083
Workers Compensation	94,383,040	130,586,004	145,487,917	163,857,781
Other	120,847,785	145,427,064	261,985,312	238,431,304
Operating Grants and Contributions	283,315,181	368,697,788	258,218,249	114,158,181
Capital Grants and Contributions	577,251	7,314,326	9,244,575	10,820,227
Total Business-Type Activities Program Revenues	<b>1,077,963,350</b>	<b>1,276,958,126</b>	<b>1,341,239,960</b>	<b>1,241,188,812</b>
<b>Total Primary Government Program Revenues</b>	<b>\$ 2,481,116,829</b>	<b>\$ 2,691,004,664</b>	<b>\$ 2,661,965,890</b>	<b>\$ 2,659,097,128</b>
<b>Net (Expense)/Revenue</b>				
Governmental Activities	\$ (880,200,724)	\$ (851,506,721)	\$ (1,117,700,138)	\$ (1,319,453,402)
Business-Type Activities	(91,464,817)	(89,505,497)	(247,076,709)	(359,907,936)
<b>Total Primary Government Net Expense</b>	<b>\$ (971,665,541)</b>	<b>\$ (941,012,218)</b>	<b>\$ (1,364,776,847)</b>	<b>\$ (1,679,361,338)</b>
<b>General Revenues and Other Changes in Net Assets</b>				
Governmental Activities:				
Taxes:				
Individual and Corporate Income Taxes	\$ 432,071,872	\$ 449,064,105	\$ 473,235,378	\$ 503,975,529
Sales and Use Taxes	678,820,618	726,913,003	797,614,476	857,770,891
Oil, Gas and Coal Taxes	210,169,616	230,118,178	469,244,783	428,669,882
Business and Other Taxes	66,601,785	54,780,147	65,487,361	60,813,632
Unrestricted Investment Earnings	12,408,573	25,822,610	25,149,527	12,830,321
Tobacco Settlement	11,712,175	16,097,938	20,062,331	30,990,193
Miscellaneous	23,696,003	27,836,295	42,051,636	54,636,981
Contributions to Permanent Fund Principal	11,156,063	15,995,440	19,181,247	11,573,541
Special Item - Loss on Discontinuance of Computer Project Transfers	(215,088,572)	(167,116,902)	(254,648,266)	(229,267,859)
Total Governmental Activities	<b>1,231,548,133</b>	<b>1,379,510,814</b>	<b>1,657,378,473</b>	<b>1,728,679,054</b>
Business-Type Activities:				
Miscellaneous	-	-	-	-
Special Item - Loss on Discontinuance of Computer Project Transfers	188,108,694	185,840,985	228,140,706	270,189,481
Total Business-Type Activities	<b>188,108,694</b>	<b>185,840,985</b>	<b>228,140,706</b>	<b>270,189,481</b>
<b>Total Primary Government</b>	<b>\$ 1,419,656,827</b>	<b>\$ 1,565,351,799</b>	<b>\$ 1,885,519,179</b>	<b>\$ 1,998,868,535</b>
<b>Change in Net Position</b>				
Governmental Activities	\$ 351,347,409	\$ 528,004,093	\$ 539,678,335	\$ 409,225,652
Business-Type Activities	96,643,877	96,335,488	(18,936,003)	(89,718,455)
<b>Total Primary Government</b>	<b>\$ 447,991,286</b>	<b>\$ 624,339,581</b>	<b>\$ 520,742,332</b>	<b>\$ 319,507,197</b>

	2010	2011	2012	2013	2014	2015
\$	393,432,224	\$ 507,512,750	\$ 617,152,026	\$ 889,332,121	\$ 1,283,916,089	\$ 1,171,207,640
	849,337,255	830,649,191	843,780,168	875,991,527	1,075,062,067	1,415,255,393
1,149,201,916	1,244,163,316	1,271,569,970	1,318,899,711	1,433,598,932	1,706,333,172	
26,187,266	28,419,774	33,988,310	44,813,739	54,727,821	66,743,817	
284,846,465	242,521,440	303,602,543	209,732,547	243,149,474	249,290,966	
85,327,633	98,038,471	91,653,406	93,212,834	96,055,152	106,455,113	
81,304,271	117,862,905	132,679,303	114,752,488	119,395,831	236,079,321	
463,845,880	468,695,689	796,123,086	595,646,719	1,066,103,806	603,812,692	
11,773,684	10,461,658	9,063,514	8,454,110	7,601,561	7,154,580	
3,345,256,594	3,548,325,193	4,099,612,325	4,150,835,796	5,379,610,733	5,562,332,694	
\$	80,132,606	\$ 77,556,546	\$ 71,996,932	\$ 68,887,617	\$ 76,366,749	\$ 71,053,171
62,931,910	69,824,036	56,046,981	48,368,304	40,901,946	37,510,475	
6,315,852	6,898,226	8,092,864	8,756,357	12,759,106	11,366,158	
18,177,724	17,068,826	18,877,249	19,713,987	19,264,562	20,359,788	
137,473,630	108,482,422	89,236,878	118,377,072	113,988,509	144,920,974	
963,820,452	1,008,539,618	1,047,949,521	1,080,816,602	1,129,869,106	1,170,159,474	
218,185,899	300,297,491	359,216,200	448,535,174	418,500,961	377,926,363	
188,406,517	237,373,095	523,164,269	279,389,712	269,600,028	549,799,020	
1,675,444,590	1,826,040,260	2,174,580,894	2,072,844,825	2,081,250,967	2,383,095,423	
\$ 5,020,701,184	\$ 5,374,365,453	\$ 6,274,193,219	\$ 6,223,680,621	\$ 7,460,861,700	\$ 7,945,428,117	
\$	20,683,111	\$ 26,863,061	\$ 30,255,507	\$ 32,815,967	\$ 38,080,695	\$ 37,107,914
5,440,633	6,985,958	7,515,580	6,086,567	6,064,710	6,806,001	
31,858,461	36,563,927	36,100,539	38,381,590	39,915,016	64,507,593	
23,963,949	22,122,244	30,312,566	32,359,807	45,384,490	25,862,700	
12,310,270	14,456,950	26,263,919	26,614,392	28,552,402	30,428,332	
29,530,575	29,861,552	31,026,427	35,652,945	36,600,243	31,198,196	
30,854,355	24,772,981	31,017,855	26,356,862	29,681,837	33,895,342	
90,768,728	96,023,474	111,125,056	120,821,133	120,058,651	132,160,558	
2,025,395,367	2,015,949,905	2,012,322,201	1,867,800,810	2,083,789,612	1,888,797,868	
63,034,991	12,768,330	18,099,423	5,353,007	11,045,879	1,388,033	
2,333,840,440	2,286,368,382	2,334,039,074	2,192,243,080	2,439,173,535	2,252,152,537	
138,081,000	140,043,000	145,038,000	161,080,000	155,548,000	175,117,000	
48,814,007	54,190,469	49,583,855	42,649,030	36,150,366	34,386,013	
6,013,058	5,989,229	6,185,948	7,538,124	7,548,651	10,365,115	
24,498,988	23,085,242	26,587,851	27,999,486	27,051,014	27,212,010	
115,951,800	119,074,810	126,040,929	127,174,321	133,701,408	127,328,232	
418,085,075	438,741,616	468,992,991	486,262,379	507,302,753	517,570,660	
157,710,330	193,150,136	253,677,520	320,237,794	318,779,835	339,806,696	
201,085,424	246,210,771	278,124,295	289,981,947	276,895,777	554,752,747	
412,398,322	449,392,800	601,695,091	370,855,633	439,950,824	312,136,231	
19,762,204	14,258,261	20,975,446	19,865,857	18,703,628	36,923,275	
1,542,400,208	1,684,136,334	1,976,109,926	1,853,644,571	1,921,632,256	2,135,597,979	
\$ 3,876,240,648	\$ 3,970,504,716	\$ 4,310,941,000	\$ 4,045,887,651	\$ 4,360,805,791	\$ 4,387,750,516	
\$ (1,011,416,154)	\$ (1,261,956,811)	\$ (1,765,573,251)	\$ (1,958,592,716)	\$ (2,940,437,198)	\$ (3,310,180,157)	
	(133,044,382)	(141,903,926)	(197,678,968)	(219,200,254)	(159,618,711)	(247,497,444)
\$ (1,144,460,536)	\$ (1,403,860,737)	\$ (1,963,252,219)	\$ (2,177,792,970)	\$ (3,100,055,909)	\$ (3,557,677,601)	
\$	379,938,009	\$ 605,526,736	\$ 658,905,496	\$ 863,018,492	\$ 700,867,920	\$ 732,975,064
885,445,674	1,121,730,307	1,543,140,897	1,654,186,763	1,756,777,615	1,804,380,378	
633,445,059	1,059,467,528	1,670,059,257	2,518,921,322	3,335,934,782	2,734,507,198	
62,075,915	69,733,806	71,974,295	83,470,020	82,437,250	92,936,834	
33,925,667	21,330,843	15,500,793	17,967,764	130,011,232	117,643,232	
23,559,384	30,453,643	22,265,336	22,332,577	23,652,803	21,789,723	
150,818,789	158,447,124	170,544,538	206,709,383	198,533,139	161,725,312	
11,203,425	999,110	12,469,733	13,722,930	14,251,211	16,382,336	
-	-	-	-	-	-	
(350,496,669)	(365,304,396)	(368,204,484)	(409,585,575)	(424,008,500)	(542,713,254)	
1,829,915,253	2,702,384,702	3,796,655,862	4,970,743,676	5,818,457,452	5,139,626,823	
-	-	1,940,000	39,166,106	1,857,975	9,562,071	
324,785,928	376,538,823	390,214,559	358,701,147	455,888,029	535,979,992	
324,785,928	376,538,823	392,154,559	383,138,623	457,746,004	545,542,063	
\$ 2,154,701,181	\$ 3,078,923,525	\$ 4,188,810,421	\$ 5,353,882,299	\$ 6,276,203,456	\$ 5,685,168,886	
\$ 818,499,099	\$ 1,440,427,891	\$ 2,031,082,611	\$ 3,012,150,960	\$ 2,878,020,254	\$ 1,829,446,666	
191,741,546	234,634,897	194,475,591	163,938,369	298,127,293	298,044,619	
\$ 1,010,240,645	\$ 1,675,062,788	\$ 2,225,558,202	\$ 3,176,089,329	\$ 3,176,147,547	\$ 2,127,491,285	

## STATE OF NORTH DAKOTA

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### Schedule 3 -- Fund Balances, Governmental Funds

#### Last Ten Fiscal Years

(modified accrual basis of accounting)

	2006	2007	2008	2009	2010
<b>General Fund</b>					
Reserved	\$ 2,050,599	\$ 1,690,187	\$ 2,479,613	\$ 4,123,554	\$ 4,990,240
Unreserved	412,886,296	636,773,228	785,459,751	863,093,388	834,021,114
<b>Total General Fund</b>	<b>414,936,895</b>	<b>638,463,415</b>	<b>787,939,364</b>	<b>867,216,942</b>	<b>839,011,354</b>
<b>All Other Governmental Funds</b>					
Reserved	999,818,758	1,094,599,293	1,102,476,731	1,021,911,207	2,201,584,878
Unreserved, Reported in:					
Special Revenue Funds	475,496,357	576,408,347	870,164,282	1,195,606,640	1,525,108,012
<b>Total All Other Governmental Funds</b>	<b>1,475,315,115</b>	<b>1,671,007,640</b>	<b>1,972,641,013</b>	<b>2,217,517,847</b>	<b>3,726,692,890</b>
<b>Total Fund Balances, Governmental Funds</b>	<b>\$ 1,890,252,010</b>	<b>\$ 2,309,471,055</b>	<b>\$ 2,760,580,377</b>	<b>\$ 3,084,734,789</b>	<b>\$ 4,565,704,244</b>

Note: Due to GASB Statement 54, a new table is included below for 2011 going forward.

	2011	2012	2013	2014	2015
<b>General Fund</b>					
Nonspendable	\$ 4,628,040	\$ 498,042,684	\$ 1,355,179,441	\$ 2,447,681,621	\$ 3,465,933,483
Committed	682,696,887	996,737,740	840,061,206	1,365,420,166	1,332,805,458
Unassigned	712,046,495	1,412,091,095	2,142,277,489	1,421,552,566	1,061,519,282
<b>Total General Fund</b>	<b>1,399,371,422</b>	<b>2,906,871,519</b>	<b>4,337,518,136</b>	<b>5,234,654,353</b>	<b>5,860,258,223</b>
<b>All Other Governmental Funds</b>					
Nonspendable	81,757,950	82,345,060	85,991,097	88,250,884	179,976,824
Restricted	2,371,817,130	3,003,088,539	3,679,248,354	4,913,528,772	6,037,108,398
Committed	1,055,012,373	682,600,401	1,200,571,048	1,628,346,627	1,230,446,562
Assigned	124,052,099	66,930,266	64,730,555	224,403,093	-
Unassigned	(3,205,875)	(3,797,855)	(6,075,964)	-	(8,477,525)
<b>Total All Other Governmental Funds</b>	<b>3,629,433,677</b>	<b>3,831,166,411</b>	<b>5,024,465,090</b>	<b>6,854,529,376</b>	<b>7,439,054,259</b>
<b>Total Fund Balances, Governmental Funds</b>	<b>\$ 5,028,805,099</b>	<b>\$ 6,738,037,930</b>	<b>\$ 9,361,983,226</b>	<b>\$ 12,089,183,729</b>	<b>\$ 13,299,312,482</b>



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# STATE OF NORTH DAKOTA

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## Schedule 4 -- Changes in Fund Balances, Governmental Funds

### Last Ten Fiscal Years

(modified accrual basis of accounting)

	2006	2007	2008	2009
<b>Revenues</b>				
Individual and Corporate Income Taxes	\$ 409,691,305	\$ 443,215,760	\$ 469,177,140	\$ 505,011,491
Sales and Use Taxes	674,235,802	725,523,596	795,575,768	857,400,779
Oil, Gas, and Coal Taxes	210,157,778	230,124,520	469,231,373	428,629,782
Business and Other Taxes	57,386,606	54,742,121	63,575,524	61,017,632
Licenses, Permits and Fees	122,528,304	116,236,397	123,469,151	133,219,868
Intergovernmental	1,079,689,531	1,061,075,404	1,088,706,508	1,252,165,449
Sales and Services	45,603,895	41,134,852	49,459,036	48,871,700
Royalties and Rents	64,279,399	64,580,931	96,037,810	125,251,686
Fines and Forfeits	12,396,632	14,834,336	10,903,234	15,774,414
Interest and Investment Income	82,674,439	147,584,215	(1,522,383)	(110,353,157)
Tobacco Settlement	21,348,506	29,215,336	36,478,816	39,327,032
Commodity Assessments	12,673,677	13,801,240	18,152,847	16,502,864
Miscellaneous	6,115,395	10,327,474	10,178,935	5,863,644
<b>Total Revenues</b>	<b>2,798,781,269</b>	<b>2,952,396,182</b>	<b>3,229,423,759</b>	<b>3,378,683,184</b>
<b>Expenditures</b>				
Current:				
General Government	92,726,091	94,139,748	93,444,373	165,062,399
Education	489,130,108	506,528,869	536,359,840	564,579,714
Health and Human Services	843,779,436	873,992,858	956,031,462	1,002,699,816
Regulatory	16,039,593	16,987,513	19,696,747	22,284,389
Public Safety and Corrections	139,043,860	129,458,229	127,347,181	187,059,227
Agriculture and Commerce	54,658,099	58,249,503	67,675,838	67,987,832
Natural Resources	55,557,993	52,990,134	58,128,187	58,433,165
Transportation	342,590,896	290,317,792	283,717,240	353,240,413
Intergovernmental - Revenue Sharing	171,942,576	181,498,302	224,406,911	253,363,580
Capital Outlay	121,433,926	143,672,671	139,215,060	113,879,585
Debt Service:				
Principal	11,235,110	10,215,343	16,215,727	20,207,193
Interest and Other Charges	11,799,333	13,341,252	13,264,977	12,280,656
<b>Total Expenditures</b>	<b>2,349,937,021</b>	<b>2,371,392,214</b>	<b>2,535,503,543</b>	<b>2,821,077,969</b>
Revenue over (under) Expenditures	448,844,248	581,003,968	693,920,216	557,605,215
<b>Other Financing Sources (Uses)</b>				
Bonds and Notes Issued	115,130,668	1,828,225	1,426,000	3,005,000
Refunding Bonds Issued	10,516,000	23,775,068	-	-
Payment to Refund Bond Escrow Agent	(10,388,000)	(24,588,018)	-	-
Payment of Refunded Bonds	-	-	-	-
Capital Lease Acquisitions	1,946,086	202,754	370,888	88,245
Sale of Capital Assets	1,248,797	230,528	1,052,750	86,625
Other	-	-	-	-
Transfers In	195,454,840	241,687,946	302,221,706	278,233,887
Transfers Out	(410,543,412)	(408,804,848)	(556,869,970)	(507,501,746)
<b>Total Other Financing Sources (Uses)</b>	<b>(96,635,021)</b>	<b>(165,668,345)</b>	<b>(251,798,626)</b>	<b>(226,087,989)</b>
<b>Net Changes in Fund Balances</b>	<b>\$ 352,209,227</b>	<b>\$ 415,335,623</b>	<b>\$ 442,121,590</b>	<b>\$ 331,517,226</b>
<b>Debt Service as a Percentage of Noncapital Expenditures</b>	<b>&lt;1%</b>	<b>&lt;1%</b>	<b>&lt;1%</b>	<b>&lt;1%</b>

	2010	2011	2012	2013	2014	2015
\$	380,068,970	\$ 602,185,856	\$ 643,107,392	\$ 845,590,604	\$ 736,426,799	\$ 714,657,090
883,265,443	1,120,803,578	1,542,807,423	1,652,264,305	1,747,358,775	1,790,646,715	
633,497,612	1,058,519,977	1,670,529,100	2,518,629,175	3,336,441,100	2,734,607,036	
62,344,622	70,417,133	72,084,077	80,514,313	85,216,692	93,445,691	
143,516,524	154,090,944	183,303,744	191,268,529	205,896,279	215,706,207	
1,692,074,692	1,610,019,463	1,753,469,275	1,428,170,719	1,433,023,985	1,626,610,762	
47,993,528	53,599,656	51,864,186	51,333,672	54,206,137	81,988,980	
407,051,277	328,289,031	392,165,022	389,989,643	474,293,031	398,048,916	
13,282,502	16,213,841	18,151,711	23,770,098	23,022,332	26,167,673	
181,825,499	270,760,984	74,621,630	250,383,144	515,486,326	149,053,816	
32,839,602	30,453,643	31,277,903	31,344,429	33,896,173	30,512,364	
19,558,592	23,111,279	19,710,327	28,572,996	24,788,270	23,662,092	
11,870,275	7,622,389	25,651,998	56,131,404	37,337,036	17,176,577	
4,509,189,138	5,346,087,774	6,478,743,788	7,547,963,031	8,707,392,935	7,902,283,919	
118,135,852	174,560,163	193,919,196	316,117,619	391,604,389	690,034,696	
849,104,680	830,379,618	842,666,213	874,348,965	1,073,921,730	1,116,260,493	
1,147,503,138	1,240,584,657	1,267,415,392	1,316,596,317	1,430,474,509	1,707,702,397	
22,114,812	25,371,933	30,249,484	35,368,070	47,317,516	58,625,606	
276,719,107	233,108,649	292,979,177	199,319,379	230,055,951	237,542,738	
85,141,016	97,880,158	91,516,274	92,435,869	95,791,431	106,304,742	
73,359,931	110,413,413	123,117,235	105,696,650	107,874,535	185,712,117	
425,930,371	430,542,156	753,087,144	550,383,353	1,015,136,123	550,382,661	
273,118,311	326,572,267	415,775,866	570,905,886	887,469,331	811,392,745	
155,148,376	233,071,350	358,083,597	428,030,196	250,938,968	648,582,253	
30,513,501	16,869,266	18,282,996	17,421,039	18,094,333	35,744,666	
12,318,072	10,659,235	9,736,260	8,744,962	7,999,247	7,915,666	
3,469,107,167	3,730,012,865	4,396,828,834	4,515,368,305	5,556,678,063	6,156,200,780	
1,040,081,971	1,616,074,909	2,081,914,954	3,032,594,726	3,150,714,872	1,746,083,139	
-	2,575,000	-	-	-	-	
-	5,337,000	20,004,000	-	-	-	
-	-	-	-	-	-	
-	(4,940,000)	(25,041,000)	-	-	-	
166,951	1,402,326	147,344	282,145	52,526	244,493	
471,890	539,837	284,974	641,170	336,557	49,910	
-	-	-	-	-	-	
474,985,111	566,165,036	1,162,122,470	398,824,628	104,808,196	1,176,200,047	
(825,481,779)	(931,469,432)	(1,530,199,911)	(808,397,373)	(528,711,650)	(1,718,913,302)	
(349,857,827)	(360,390,233)	(372,682,123)	(408,649,430)	(423,514,371)	(542,418,852)	
\$ 690,224,144	\$ 1,255,684,676	\$ 1,709,232,831	\$ 2,623,945,296	\$ 2,727,200,501	\$ 1,203,664,287	
<1%	<1%	<1%	<1%	<1%	<1%	

## STATE OF NORTH DAKOTA

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### Schedule 5 Taxable Sales by Industry Last Ten Calendar Years

	Calendar Year			
	2005	2006	2007	2008
Mining and Oil Extraction	\$ 131,849,866	\$ 191,615,942	\$ 374,201,247	\$ 951,773,654
Construction	294,678,543	352,454,828	401,485,208	452,093,539
Manufacturing	494,987,751	543,692,333	589,463,741	697,482,110
Transportation, Communications, And Public Utilities	915,437,434	954,523,004	442,079,107	654,070,303
Wholesale	1,446,044,209	1,912,369,604	1,844,174,252	2,645,755,217
Retail	3,677,485,817	3,892,914,208	4,128,221,158	4,366,831,911
Services	1,558,601,437	1,688,764,982	1,413,161,243	1,479,230,174
Accommodation and Food Service (1)	-	-	1,058,245,321	1,149,837,849
Miscellaneous (1)	47,865,825	47,955,072	-	-
<b>Total</b>	<b><u>\$ 8,566,950,882</u></b>	<b><u>\$ 9,584,289,973</u></b>	<b><u>\$ 10,251,031,277</u></b>	<b><u>\$ 12,397,074,757</u></b>
Effective Tax Rate	4.92%	4.95%	4.95%	4.97%

(1) Information was from SIC prior to 2007, when a switch was made to NAICS. There is no miscellaneous category under NAICS but there is an Accommodation and Food Service category, which was pulled from the SIC Services and Retail category.

Source: ND State Tax Department

### Schedule 6 Sales Tax Revenue Payers by Industry Calendar Years 2005 and 2014 (Dollars are in Millions)

	Calendar Year 2005			
	Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
Retail Trade	11,171	43.1%	248.54	59.0%
Wholesale Trade	4,312	16.6%	65.29	15.5%
Services	7,102	27.4%	44.65	10.6%
Transportation, Communications, And Public Utilities	438	1.7%	24.85	5.9%
Manufacturing	913	3.5%	16.85	4.0%
Construction	1,432	5.5%	11.37	2.7%
Miscellaneous	411	1.6%	4.21	1.0%
Mining and Oil Extraction	169	0.7%	5.48	1.3%
<b>Total</b>	<b>25,948</b>	<b>100.0%</b>	<b>421.25</b>	<b>100.0%</b>

Source: ND State Tax Department

Calendar Year						
2009	2010	2011	2012	2013	2014	
\$ 704,397,852	\$ 1,491,748,626	\$ 3,609,963,576	\$ 5,117,138,306	\$ 4,374,052,860	\$ 5,194,104,870	
429,559,387	494,291,922	702,237,062	1,073,180,098	985,079,023	965,197,436	
649,627,740	711,340,542	995,535,882	1,270,236,581	1,334,723,444	1,527,873,493	
489,144,528	390,215,115	577,280,642	652,478,635	569,453,738	630,444,105	
2,413,689,772	3,367,800,790	4,394,667,162	5,987,059,129	6,434,467,781	7,391,400,913	
4,334,670,425	4,686,288,902	5,448,304,958	6,348,806,735	6,569,146,675	6,900,590,520	
1,542,498,356	1,724,349,874	2,490,644,719	3,135,679,592	3,441,014,994	3,684,213,017	
1,179,623,344	1,271,280,053	1,471,737,060	1,706,097,731	1,756,625,375	1,928,607,097	
<b>\$ 11,743,211,404</b>	<b>\$ 14,137,315,824</b>	<b>\$ 19,690,371,061</b>	<b>\$ 25,290,676,807</b>	<b>\$ 25,464,563,890</b>	<b>\$ 28,222,431,451</b>	
4.97%	4.98%	4.86%	5.08%	5.08%	5.00%	

## Calendar Year 2014

Number of Filers	Percentage of Total	Tax Liability	Percentage of Total
11,292	36.0%	372.63	26.4%
5,259	16.8%	332.61	23.6%
8,338	26.6%	274.47	19.4%
477	1.5%	31.55	2.2%
2,446	7.8%	74.56	5.3%
2,485	7.9%	48.28	3.4%
431	1.4%	17.95	1.3%
625	2.0%	259.60	18.4%
31,353	100.0%	1,411.65	100.0%

# STATE OF NORTH DAKOTA

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## Schedule 7

### Ratios of Outstanding Debt by Type

#### Last Ten Fiscal Years

(dollars in thousands)

	2006	2007	2008	2009
<b>Governmental Activities</b>				
Revenue bonds	\$ 287,016	\$ 277,932	\$ 265,665	\$ 251,526
Capital leases	6,361	5,418	5,236	4,056
Notes Payable	32,314	32,384	35,726	26,523
<b>Total Governmental Activities</b>	<b>325,691</b>	<b>315,734</b>	<b>306,627</b>	<b>282,105</b>
<b>Business-type Activities</b>				
Revenue bonds	1,038,233	1,073,545	1,197,845	1,051,542
Capital leases	45,088	46,131	50,046	68,097
Notes payable	283,509	263,820	250,645	318,847
<b>Total Business-Type Activities</b>	<b>1,366,830</b>	<b>1,383,496</b>	<b>1,498,536</b>	<b>1,438,486</b>
<b>Total Primary Government</b>	<b>\$ 1,692,521</b>	<b>\$ 1,699,230</b>	<b>\$ 1,805,163</b>	<b>\$ 1,720,591</b>
<b>Debt as a Percentage of Personal Income<sup>1</sup></b>		8.3%	8.0%	7.7%
<b>Amount of Debt per Capita<sup>1</sup></b>	<b>\$ 2,620</b>	<b>\$ 2,617</b>	<b>\$ 2,765</b>	<b>\$ 2,617</b>

<sup>1</sup> These ratios are calculated using personal income and population for the prior calendar year. See Schedule 10 for personal income and population data.

Details regarding the state's debt can be found in Note 3-K of the financial statements.

## Statistical Section

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Fiscal Year											
2010		2011		2012		2013		2014	2015		
\$	232,102	\$	219,221	\$	197,021	\$	180,757	\$	163,031	\$	129,345
	2,842		2,964		1,928		1,068		667		600
	19,493		8,563		7,428		6,211		4,981		4,412
	<u>254,437</u>		<u>230,748</u>		<u>206,377</u>		<u>188,036</u>		<u>168,679</u>		<u>134,357</u>
	1,301,368		1,193,816		1,069,257		919,506		901,527		884,086
	72,461		75,649		73,211		61,796		44,774		41,224
	412,095		403,509		481,735		415,856		484,763		665,792
	<u>1,785,924</u>		<u>1,672,974</u>		<u>1,624,203</u>		<u>1,397,158</u>		<u>1,431,064</u>		<u>1,591,102</u>
\$	<u>2,040,361</u>	\$	<u>1,903,722</u>	\$	<u>1,830,580</u>	\$	<u>1,585,194</u>	\$	<u>1,599,743</u>	\$	<u>1,725,459</u>
	7.7%		6.5%		5.7%		4.1%		3.9%		4.2%
\$	<u>3,068</u>	\$	<u>2,830</u>	\$	<u>2,673</u>	\$	<u>2,260</u>	\$	<u>2,211</u>	\$	<u>2,333</u>

## STATE OF NORTH DAKOTA

### Schedule 8 Pledged-Revenue Coverage Last Ten Fiscal Years

Fiscal Year	Gross Revenues	Less: Operating Expenses	Net Available Revenues	Debt Service Requirements		
				Principal	Interest	Coverage
<b>BUILDING AUTHORITY BONDS</b>						
2006	\$ 10,650,000	\$ -	\$ 10,650,000	\$ 6,711,000	\$ 5,270,000	0.89
2007	10,479,000	-	10,479,000	6,649,000	5,541,000	0.86
2008	11,303,000	-	11,303,000	8,161,000	4,770,000	0.87
2009	12,827,000	-	12,827,000	8,103,000	4,309,000	1.03
2010	11,026,000	-	11,026,000	10,360,000	4,005,000	0.77
2011	9,570,000	-	9,570,000	6,243,000	3,656,000	0.97
2012	11,298,000	-	11,298,000	7,106,000	3,211,000	1.10
2013	8,394,000	-	8,394,000	5,806,000	2,655,000	0.99
2014	9,176,000	-	9,176,000	6,825,000	2,336,000	1.00
2015	8,163,000	-	8,163,000	6,130,000	2,080,000	0.99
<i>Pledged revenues include interest and lease payments.</i>						
<b>WATER COMMISSION BONDS</b>						
2006	\$ 5,608,843	\$ -	\$ 5,608,843	\$ 1,420,600	\$ 3,881,643	1.06
2007	7,192,923	-	7,192,923	1,813,098	4,999,564	1.06
2008	7,623,880	-	7,623,880	1,485,000	4,717,867	1.23
2009	9,526,211	-	9,526,211	4,859,000	4,863,040	0.98
2010	9,658,200	-	9,658,200	5,055,000	4,685,748	0.99
2011	9,425,473	-	9,425,473	5,227,642	4,645,491	0.95
2012	9,761,020	-	9,761,020	5,541,961	4,372,017	0.98
2013	9,863,578	-	9,863,578	5,760,272	4,142,814	1.00
2014	16,615,188	-	16,615,188	5,990,528	3,911,439	1.68
2015	8,783,565	-	8,783,565	13,343,592	3,318,972	0.53
<i>Pledged revenues include user fees, interest, and Tobacco Settlement funds.</i>						
<b>LIGNITE RESEARCH BONDS (3)</b>						
2006	\$ 1,079,038	\$ -	\$ 1,079,038	\$ 1,910,000	\$ 53,503	0.55
<i>Pledged revenues include interest and royalties.</i>						
<b>INFORMATION TECHNOLOGY BONDS (1)</b>						
2006	\$ 34,555,908	\$ 34,557,209	\$ (1,301)	\$ 549,000	\$ 307,789	0.00
2007	38,270,735	32,009,593	6,261,142	568,400	213,506	8.01
2008	40,706,890	38,728,841	1,978,049	590,150	192,203	2.53
2009	45,225,141	39,036,294	6,188,847	6,613,350	935,650	0.82
2010	48,633,238	38,453,612	10,179,626	1,716,372	790,686	4.06
2011	49,841,497	41,956,029	7,885,468	10,537,178	324,831	0.73
2012	53,268,445	47,300,345	5,968,100	694,550	89,028	7.62
2013	58,427,069	52,478,918	5,948,151	736,600	39,805	7.66
2014	60,619,327	53,925,234	6,694,093	711,950	14,239	9.22
<i>Pledged revenues include user fees.</i>						
<b>DEPARTMENT OF TRANSPORTATION BONDS (1)</b>						
2006	\$ 1,717,002	\$ -	\$ 1,717,002	\$ -	\$ 2,144,269	0.80
2007	1,501,502	-	1,501,502	161,125	2,001,689	0.69
2008	5,723,177	-	5,723,177	3,160,000	2,162,804	1.08
2009	5,379,338	-	5,379,338	3,255,000	2,067,750	1.01
2010	5,750,480	-	5,750,480	3,355,000	2,397,783	1.00
2011	5,271,363	-	5,271,363	3,465,000	1,854,138	0.99
2012	5,345,315	-	5,345,315	3,595,000	1,726,615	1.00
2013	5,344,822	-	5,344,822	3,725,000	1,597,010	1.00
2014	5,320,012	-	5,320,012	3,865,000	1,451,535	1.00
2015	5,318,070	-	5,318,070	4,015,000	1,303,070	1.00
<i>Pledged revenues include interest and federal (intergovernmental revenues and transfers from fund 002), highway fund appropriations, and transfers from Highway fund (200).</i>						

## Statistical Section

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Fiscal Year	Gross Revenues		Less: Operating Expenses		Net Available Revenues		Debt Service Requirements		
							Principal	Interest	Coverage
<b>STUDENT LOAN TRUST</b>									
2006	\$ 13,641,000		\$ 4,759,000		\$ 8,882,000		\$ -	\$ 5,010,000	1.77
2007	9,194,000		2,296,000		6,898,000		\$ -	3,917,000	1.76
2008	7,192,000		1,367,000		5,825,000		\$ 8,900,000	3,790,000	0.46
2009	2,714,000		1,492,000		1,222,000		\$ 59,400,000	929,000	0.02
2010	1,630,000		925,000		705,000		\$ 1,000,000	535,000	0.46
2011	1,406,000		923,000		483,000		\$ 9,000,000	288,000	0.05
2012	1,168,000		770,000		398,000		\$ 2,000,000	39,000	0.20
2013	976,000		658,000		318,000		\$ 2,200,000	24,000	0.14
2014	868,000		559,000		309,000		\$ -	9,000	34.33
2015	732,000		487,000		245,000		\$ -	9,000	27.22
<i>Pledged revenues include federal revenues, and loan and investment interest.</i>									
<b>HOUSING FINANCE AGENCY</b>									
2006	\$ 51,472,000		\$ 20,736,000		\$ 30,736,000		\$ 98,501,000	\$ 25,839,000	0.25
2007	58,632,000		26,868,000		31,764,000		133,527,000	31,809,000	0.19
2008	67,393,000		34,498,000		32,895,000		8,969,000	37,373,000	0.71
2009	67,073,021		35,458,000		31,615,021		254,020,000	40,733,000	0.11
2010	72,564,000		26,958,000		45,606,000		354,181,000	37,499,000	0.12
2011	74,163,000		46,020,000		28,143,000		247,099,000	36,352,000	0.10
2012	62,386,855		42,874,000		19,512,855		246,535,000	36,562,000	0.07
2013	55,452,870		36,480,000		18,972,870		209,045,000	29,902,000	0.08
2014	48,261,366		28,677,687		19,583,679		189,830,000	22,360,000	0.09
2015	46,104,013		25,535,000		20,569,013		136,385,000	18,303,000	0.13
<i>Pledged revenues include income and proceeds from mortgage loan activity.</i>									
<b>STATE FAIR ASSOCIATION (2)</b>									
2006	\$ 4,712,097		\$ 4,089,305		\$ 622,792		\$ 205,000	\$ 64,231	2.31
<i>Pledged revenues include state appropriations and State Fair net revenue.</i>									
<b>UNIVERSITY SYSTEM</b>									
2006	\$ 539,484,282		\$ 650,271,318		\$ (110,787,036)		\$ 15,717,500	\$ 9,532,867	(4.39)
2007	557,498,821		665,012,168		(107,513,347)		29,385,066	12,325,577	(2.58)
2008	577,333,810		720,525,986		(143,192,176)		10,771,860	12,946,879	(6.04)
2009	615,327,588		768,207,013		(152,879,425)		31,757,754	13,848,295	(3.35)
2010	663,347,234		823,053,516		(159,706,282)		25,067,090	12,968,810	(4.20)
2011	777,992,712		937,253,706		(159,260,994)		19,435,268	14,390,104	(4.71)
2012	708,136,180		979,701,772		(271,565,592)		27,187,867	15,553,703	(6.35)
2013	729,800,506		1,012,017,963		(282,217,457)		43,206,702	12,842,418	(5.04)
2014	750,780,897		1,051,848,696		(301,067,799)		42,458,545	11,650,094	(5.56)
2015	758,127,326		1,090,845,378		(332,718,052)		45,904,456	13,702,718	(5.58)
<i>Pledged revenues include student fees, auxiliary revenues, and debt service grants.</i>									

(1) First year reported is first year Agency held bonds.

(2) Information presented for the Fiscal Year Ended September 30.

(3) The bonds were redeemed during 2007 and the fund no longer exists.

NOTE: Gross revenues include nonoperating interest income. Operating expenses do not include bond interest or depreciation expenses.

**Schedule 9**  
**Legal Debt Limit**  
**Fiscal Year Ending June 30, 2015**

The state may issue or guarantee the payment of bonds, provided that all bonds in excess of two million dollars shall be secured by first mortgage upon real estate in amounts not to exceed sixty-five percent of its value; or upon real and personal property of state-owned utilities, enterprises, or industries, in amounts not exceeding its value, and provided further, that the state shall not issue or guarantee bonds upon property of state-owned utilities, enterprises, or industries in excess of ten million dollars.

No further indebtedness shall be incurred by the state unless evidenced by a bond issue, which shall be authorized by law for certain purposes, to be clearly defined. Every law authorizing a bond issue shall provide for levying an annual tax, or make other provision, sufficient to pay the interest semiannually, and the principal within thirty years from the date of the issue of such bonds and shall specially appropriate the proceeds of such tax, or of such other provisions to the payment of said principal and interest, and such appropriation shall not be repealed nor the tax or other provisions discontinued until such debt, both principal and interest, shall have been paid. No debt in excess of the limit named herein shall be incurred except for the purpose of repelling invasion, suppressing insurrection, defending the state in time of war or to provide for the public defense in case of threatened hostilities.

The State is in compliance with the Legal Debt Margin.

Source: North Dakota Constitution, Art. X, Section 13.

The State of North Dakota has had no General Obligation Bonded Debt since Fiscal Year 1998. No Schedule of Ratios of General Bonded Debt is being presented.

**Schedule 10**  
**Demographic and Economic Indicators**  
**Last Ten Calendar Years**

Year	Population (a)	Total Personal Income (b) (000's)	Per Capita Personal Income (b)	ND Unemployment Rate (c)	Annual Average UI Covered Employment (d)
2005	646,089	20,400,591	31,576	3.4%	328,121
2006	649,422	21,334,131	32,851	3.2%	335,718
2007	652,822	23,584,383	36,127	3.1%	341,705
2008	657,569	26,881,499	40,880	3.1%	350,442
2009	664,968	26,601,995	4,005	4.1%	349,561
2010	672,591	29,153,772	43,232	3.8%	358,674
2011	684,867	32,332,079	47,218	3.4%	379,433
2012	701,345	38,389,622	54,871	3.0%	411,710
2013	723,393	41,293,966	57,084	2.9%	427,109
2014	739,482	40,635,257	54,951	2.8%	444,658

Source:

- (a) Census Bureau
- (b) Bureau of Economic Analysis
- (c) Local Area Unemployment Statistics program
- (d) Quarterly Census of Employment and Wages program

**Schedule 11**  
**Principal Employers**

North Dakota Century Code 52-01-02 and 52-01-03 prohibits Job Service North Dakota from disclosing information provided to them by employers, including the employer name and number of employees, unless authorized by the employer. Sufficient permission has not been received to allow for presentation of this schedule.

The following schedule is being presented as an alternative to the principal employer schedule:

**Schedule 12**  
**Employment by Industry**  
**Current Year and Ten Years Ago**

<u>Industry</u>	2014			2005				
	Number of Employees	Rank	Percent of Total Nonagricultural Wage and Salary Employment		Number of Employees	Rank	Percent of Total Nonagricultural Wage and Salary Employment	
			1	17.46%			1	21.78%
Government	80,600	1			75,100	1		
Educational and Health Services	59,400	2			48,800	2		
Retail Trade	50,700	3			42,100	3		
Leisure and Hospitality	40,700	4			31,200	4		
Professional and Business Services	36,200	5			26,500	5		
Construction	34,900	6			17,500	9		
Natural Resources and Mining	29,800	7			4,100	13		
Transportation, Warehousing and Utilities	28,100	8			13,400	11		
Wholesale Trade	27,400	9			18,800	8		
Manufacturing	26,100	10			25,900	6		
Financial Activities	24,000	11			18,800	7		
Other Services	16,900	12			15,000	10		
Information	6,800	13			7,600	12		
Total	<u><u>461,600</u></u>		<u><u>100%</u></u>		<u><u>344,800</u></u>		<u><u>100%</u></u>	

Source: Job Service North Dakota: Current Employment Statistics Program.

**Schedule 13**  
**Education Enrollment**  
**Last Ten Academic Years**

**Public School Enrollment**

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Kindergarten	6,648	6,661	7,197	6,442	7,446	8,236	8,575	8,822	9,033	8,925
Grades 1-3	20,358	20,126	20,030	20,594	21,592	22,229	23,796	24,859	25,960	26,585
Grades 4-6	21,060	20,951	20,847	20,429	20,788	20,932	22,008	22,810	23,751	24,513
Grades 7-8	15,333	14,759	14,573	14,498	14,662	14,740	14,750	14,920	15,299	15,642
Grades 9-12	32,201	31,483	30,727	30,373	30,241	29,641	30,063	30,245	30,235	30,405
Total Enrollment	95,600	93,980	93,374	92,336	94,729	95,778	99,192	101,656	104,278	106,070
Special Education Students	13,825	13,606	13,278	13,261	13,170	13,123	13,268	13,399	13,675	NA

Source: Department of Public Instruction

**University System Full-Time Equivalent Student Enrollment**

	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>	<u>2009-10</u>	<u>2010-11</u>	<u>2011-12</u>	<u>2012-13</u>	<u>2013-14</u>	<u>2014-15</u>	<u>2015-16</u>
Bismarck State College	2,651	2,793	2,937	3,160	3,208	3,209	2,990	2,955	2,909	2,912
Dakota College at Bottineau	399	401	440	490	540	524	474	502	518	459
Dickinson State University	2,059	2,158	2,294	2,187	2,054	1,959	1,454	1,201	1,176	1,070
Lake Region State College	750	764	784	868	921	988	973	943	978	981
Mayville State University	652	586	563	662	704	704	759	749	798	796
Minot State University	2,928	2,729	2,720	2,832	3,002	2,795	2,731	2,710	2,600	2,570
ND State College Of Science	2,171	2,097	2,041	2,076	2,217	2,366	2,354	2,295	2,272	2,305
North Dakota State University	10,890	11,221	11,794	12,577	12,708	12,606	12,707	12,797	12,934	12,834
University of North Dakota	11,381	10,967	11,137	11,306	12,018	12,319	12,728	12,606	12,420	12,455
Valley City State University	844	807	823	833	957	1,011	995	975	990	1,031
Williston State College	648	551	562	573	570	608	537	593	579	738
Total	35,373	35,074	36,095	37,564	38,899	39,089	38,702	38,326	38,174	38,151

Source: North Dakota University System, Fall Enrollment Reports

**Schedule 14****State Employees by State Agency**  
**Last Ten Fiscal Years**

EXECUTIVE BRANCH	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Adjutant General	158	169	171	174	174	172	174	178	177	170
Aeronautics Commission	5	5	5	5	6	6	6	6	6	6
Bank of North Dakota	167	181	179	179	177	177	177	177	180	180
Barley Council	2	5	6	6	6	5	5	5	5	5
Beef Commission	2	2	2	2	2	2	2	2	2	2
Career and Technical Education	25	33	33	34	34	34	34	34	34	29
Corn Council	1	2	2	3	3	3	4	5	6	6
Council on the Arts	5	5	5	5	5	5	5	5	5	5
Department of Agriculture	58	64	67	68	72	75	75	76	77	77
Department of Commerce	56	67	68	68	68	68	68	68	70	69
Department of Corrections and Rehabilitation	627	664	681	703	704	705	739	812	813	834
Department of Emergency Services	53	54	56	57	60	65	64	68	70	76
Department of Financial Institutions	24	26	26	26	29	29	29	29	29	29
Department of Human Services	1,938	2,133	2,297	2,275	2,222	2,232	2,201	2,201	2,203	2,215
Department of Public Instruction	89	95	95	98	99	101	99	99	99	100
Department of Transportation	1,021	1,054	1,061	1,056	1,057	1,066	1,066	1,081	1,084	1,082
Department of Trust Lands	17	21	21	20	21	23	26	28	31	34
Game and Fish Department	139	154	154	156	20	157	157	158	158	164
Highway Patrol	176	186	193	193	194	194	198	198	213	215
Historical Society	56	58	61	63	63	63	66	73	72	73
Indian Affairs Commission	3	3	4	4	4	4	4	5	5	5
Industrial Commission	48	53	55	58	60	68	73	93	93	114
Information Technology Department	240	313	316	338	339	341	335	326	341	354
Job Service North Dakota	286	352	309	309	309	309	309	252	239	238
Milk Marketing Board	4	6	6	6	6	6	6	6	6	6
ND Department of Health	292	324	335	343	346	341	345	352	354	365
ND Horse Racing Commission	2	2	2	2	2	2	2	2	2	2
ND Housing Finance Agency	37	38	43	42	46	46	46	46	46	40
ND Mill and Elevator Association	121	127	125	126	130	131	130	131	134	135
ND Vision Services/School for the Blind	26	30	30	32	32	33	33	33	33	33
North Dakota University System	7,336	6,015	7,171	7,261	7,579	7,775	7,756	7,763	7,904	8,028
Office of Administrative Hearings	7	7	7	7	7	7	7	7	5	5
Office of Management and Budget	120	133	133	133	133	135	134	134	134	132

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>EXECUTIVE BRANCH, Continued</b>										
Office of the Attorney General	174	177	185	188	202	202	205	214	217	248
Office of the Governor	16	18	18	18	18	18	18	18	18	18
Office of the Insurance Commissioner	40	46	46	46	46	45	49	49	49	49
Office of the Labor Commissioner	10	12	11	12	12	12	12	13	13	15
Office of the State Auditor	53	56	56	56	56	56	56	55	55	61
Office of the State Tax Commissioner	123	133	133	133	133	133	133	134	134	134
Office of the State Treasurer	5	7	7	7	7	7	8	8	8	8
Oilseed Council	1	1	1	1	1	1	1	1	1	2
Parks and Recreation Department	42	50	49	49	52	53	53	53	55	65
Protection and Advocacy	24	25	27	28	28	29	29	29	28	28
Public Employees Retirement System	28	33	33	33	33	33	33	33	33	33
Public Service Commission	39	43	44	44	45	46	43	44	44	46
Retirement and Investment Office	16	17	17	17	17	18	18	18	19	19
School for the Deaf	49	49	44	44	50	50	50	50	50	51
Secretary of State	26	27	27	28	28	28	31	31	31	34
Securities Department	8	9	9	9	9	9	9	9	9	9
Seed Department	22	32	31	30	30	30	30	30	30	30
Soybean Council	3	5	5	5	5	5	6	7	7	8
State Fair Association	15	24	26	26	28	27	27	27	28	27
State Library	28	30	30	30	30	30	30	30	30	31
State Radio	0	0	0	0	0	0	0	0	0	0
Veteran's Affairs Department	6	6	7	7	7	7	8	8	8	8
Veterans Home	86	88	92	98	98	116	114	117	118	120
Water Commission	77	84	84	84	86	87	87	88	90	95
Wheat Commission	5	8	8	8	8	8	8	8	8	8
Workforce Safety and Insurance	216	239	239	240	241	251	251	254	256	266
<b>LEGISLATIVE BRANCH</b>										
Legislative Council	31	33	33	33	34	34	34	34	36	36
<b>JUDICIAL BRANCH</b>										
Judiciary Branch	339	352	367	368	372	342	344	362	363	364
<b>Total State Employees</b>	<b>14,623</b>	<b>13,985</b>	<b>15,348</b>	<b>15,494</b>	<b>15,685</b>	<b>16,052</b>	<b>16,062</b>	<b>16,177</b>	<b>16,368</b>	<b>16,639</b>

NOTE: Fulltime employees are reported as of fiscal year end. ND University System employees based on annual budgets.  
 Certain agencies have been reorganized, eliminated or created over the fiscal years resulting in fluctuations.  
 Agencies are being displayed based on the organizational structure of the State.

Sources: Office of Management and Budget, ND University System, Bank of North Dakota, Mill and Elevator, Housing Finance Agency

**Schedule 15**  
**Operating Indicators by Function**  
**Last Ten Fiscal Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government</b>										
Office of the Tax Commissioner										
Number of returns filed electronically <sup>1</sup>	166,733	186,329	203,279	222,254	242,792	289,387	319,759	352,150	383,906	412,559
<b>Education</b>										
Department of Public Instruction										
Public School Enrollment <sup>2</sup>	95,600	93,980	93,374	92,336	94,729	95,778	99,192	101,656	104,278	106,070
North Dakota University System										
Full Time Equivalent Student Enrollment <sup>3</sup>	35,373	35,074	36,095	37,564	38,899	39,089	38,702	38,326	38,174	38,151
<b>Health and Human Services</b>										
North Dakota Department of Health										
Number of Autopsies Performed in ND <sup>4</sup>	240	237	274	305	300	323	367	365	261	NA
Air Quality - Percent of Facilities in Compliance <sup>4</sup>	100	98	99	99	99	100	99	99	99	NA
Public Water Systems - Percent of Facilities in Compliance <sup>4</sup>	94	95	95	95	96	95	96	96	95	NA
Department of Human Services										
Number of TANF Caseloads	5,259	5,112	4,927	4,733	4,238	3,668	3,329	3,032	2,773	2,515
Number of Medicaid Recipients	77,799	75,470	75,732	77,637	84,529	88,618	90,453	91,382	105,539	114,364
<b>Regulatory</b>										
Office of the Insurance Commissioner										
Licensed Insurance Agents <sup>4</sup>	39,230	47,437	47,399	48,308	49,157	50,392	52,417	55,241	61,142	65,671
Public Service Commission										
Weighing and Measuring Devices Inspected	12,414	13,183	11,476	11,395	10,465	10,673	7,437	9,559	5,892	5,446
Weights and Measures Quality Assurance Inspections	0	0	0	0	0	0	0	0	166	249
Gas Pipeline Safety Inspections	68	65	61	67	67	61	53	83	127	72
<b>Public Safety and Corrections</b>										
Department of Corrections and Rehabilitation										
Average Daily Adult Prison Population <sup>4</sup>	1,409	1,429	1,449	1,442	1,497	1,460	1,477	1,553	1,617	NA
Office of the Attorney General-Bureau of Investigations										
Criminal Cases Opened <sup>4</sup>	351	299	369	389	410	366	422	355	478	NA
Drug Cases Opened <sup>3</sup>	472	425	380	372	447	421	375	403	380	NA
Office of the Attorney General-Crime Laboratory										
Toxicology Alcohol Blood and Breath Analyses <sup>4</sup>	6,517	6,915	6,007	6,883	7,576	7,583	7,918	7,421	6,523	NA
Methamphetamine/Amphetamine Samples Processed <sup>4</sup>	1,552	1,034	631	897	964	745	1,381	2,387	2,942	NA
Office of the Adjutant General										
Assigned National Guard <sup>5</sup>	4,243	4,211	4,262	4,299	4,349	4,375	4,363	4,210	4,167	4,006
<b>Agriculture and Commerce</b>										
Department of Agriculture										
Pounds of Pesticide Waste Collected	172,791	170,817	215,521	205,021	215,594	189,996	290,932	248,354	310,754	384,857
Department of Commerce										
Net Job Growth from Nonfarm Employment <sup>4</sup>	7,500	6,200	8,600	-600	9,300	20,600	32,400	15,400	17,100	NA
New Private Sector Businesses <sup>4</sup>	429	-324	395	-53	608	1,619	2,274	1,371	940	NA
<b>Natural Resources</b>										
Game and Fish Department										
Registered Boats <sup>4</sup>	49,641	53,519	46,067	51,609	56,128	47,527	62,799	69,381	53,558	NA
Hunting and Fishing Licenses Issued	332,644	324,770	330,524	319,414	326,333	330,833	321,086	359,734	357,488	NA
Department of Parks and Recreation										
Park Visitations <sup>4</sup>	940,113	898,235	889,231	1,055,930	1,057,922	1,099,714	1,191,483	1,067,054	1,187,022	NA
Camping Nights <sup>4</sup>	51,945	52,904	51,529	58,984	50,749	55,018	67,425	66,533	68,480	NA
Snowmobile Registrations <sup>4</sup>	14,198	11,322	3,845	11,421	5,278	11,872	3,354	11,763	3,743	NA
OHV Registrations <sup>4</sup>	NA	9,200	18,237	9,118	16,335	10,841	21,862	12,198	26,200	NA
<b>Transportation</b>										
Department of Transportation										
Registered Vehicles <sup>4</sup>	878,443	902,581	934,502	952,616	945,282	1,048,240	1,063,203	1,110,241	1,159,317	NA
Licensed Drivers	468,711	470,731	473,019	476,561	483,097	490,146	502,807	513,838	527,541	545,027
<b>Unemployment Compensation</b>										
Job Service North Dakota										
Number of Covered Workers <sup>4</sup>	335,718	341,705	350,442	349,561	358,674	379,433	411,710	427,109	444,658	NA
<b>Workforce Safety and Insurance</b>										
Number of Claims Filed	21,588	21,309	21,061	20,543	19,384	21,693	24,643	25,835	26,395	24,767
Number of Covered Workers	318,240	326,100	332,170	340,915	340,117	348,743	369,996	402,771	418,234	435,993

NA-Not Available

<sup>1</sup> Calendar Year Received<sup>2</sup> Academic Year End Enrollment<sup>3</sup> Academic Year Enrollment<sup>4</sup> Statistics on a Calendar Year Basis<sup>5</sup> National Guard member count is at September 30 of each year

Sources: The State agencies listed above provided the statistics for their agency

**Schedule 16**  
**Capital Assets by Function**  
**Last Ten Fiscal Years**

	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
<b>General Government</b>										
Office of Management and Budget										
Capitol Complex Buildings	7	7	7	7	7	7	7	7	7	7
<b>Education</b>										
Department of Land										
Common Schools Trust	632,408	632,248	632,248	597,426	632,393	631,940	631,921	631,939	631,997	632,039
Land Acreage										
ND University System										
Buildings	516	516	516	516	522	522	512	512	528	528
Buildings Square Footage	13,491,510	13,491,510	14,003,445	14,003,445	14,700,708	14,700,708	15,019,252	15,019,252	15,852,457	15,852,457
<b>Health and Human Services</b>										
Dept. of Human Services										
Buildings	74	74	74	74	74	74	74	64	63	63
<b>Public Safety and Corrections</b>										
Department of Corrections and Rehabilitation										
Buildings	71	71	71	72	72	72	72	69	71	71
Office of the Adjutant General										
Headquarters, Camp and Armory Buildings	567	475	475	341	282	282	283	268	280	298
<b>Natural Resources</b>										
Game and Fish Department										
Wildlife Management Areas	186	186	186	189	192	199	201	201	204	201
Boats, ATV's, Snowmobiles, Tractors, Other	393	397	417	425	429	443	446	463	462	460
Dept. of Parks and Recreation										
Park/Recreational Sites	15	15	15	15	15	15	15	15	15	15
Park Maintanenace Vehicles/Equipment	222	230	235	255	255	262	291	304	305	305
<b>Transportation</b>										
Department of Transportation										
Lane Miles Maintained	8,469	8,479	8,511	8,515	8,517	8,518	8,504	8,509	8,509	8,563
Fleet Vehicles	3,220	3,316	3,307	3,273	3,493	3,564	3,567	3,600	3,652	3,664
Heavy Equipment	527	359	340	341	463	471	500	434	441	448
Buildings	77	79	80	81	85	94	123	126	142	158

Sources: The State agencies listed above provided the data for their agency

**Schedule 17**  
**Claims Development Information**  
**Last Ten Fiscal Years**

The following tables illustrate how the individual funds' earned revenues and investment income compare to related costs of loss and other expenses assumed by the funds as of the end of each of the last ten years. The rows of the tables are defined as follows: (1) This line shows the total of each fiscal year's earned contribution revenues and investment revenues. (2) This line shows each fiscal year's other operation costs of the fund including overhead and claims expense not allocable to individual claims. (3) This line shows the funds' incurred claims and allocated claim adjustment expense (both paid and accrued) as originally reported at the end of the first year in which the event that triggered coverage under the contract occurred (called policy year). (4) This section of 10 columns shows the cumulative amounts paid as of the end of successive years for each policy year. (5) This section of 10 columns shows how each policy year's incurred claims increased or decreased as of the end of successive years. This annual re-estimation results from new information received regarding unknown claims, reevaluation of existing information on known claims, as well as emergence of new claims not previously known. (6) This line compares the latest re-estimated incurred claims amount to the amount originally established (line 3) and shows whether this latest estimate of claims cost is greater or less than originally thought. As data for individual policy years mature, the correlation between original estimates and re-estimated amounts is commonly used to evaluate the accuracy of incurred claims currently recognized in less mature policy years. The columns of the tables show data for successive policy years (expressed in thousands).

**Schedule 17**  
**Claims Development Information**  
**Last Ten Fiscal Years**  
**(Expressed In Thousands)**

Workforce Safety & Insurance

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 148	\$ 221	\$ 166	\$ 48	\$ 289	\$ 357	\$ 341	\$ 443	\$ 502	\$ 408
2 Unallocated Expenses	33	40	41	31	33	30	33	52	41	41
3 Estimated Incurred Claims and Expense, End Of Policy Year	105	120	131	169	160	192	230	300	338	315
4 Paid (Cumulative) as of:										
End of Policy Year	21	21	27	32	31	39	44	53	65	61
One Year Later	36	37	47	55	52	65	87	99	111	
Two Years Later	41	43	54	63	60	76	102	117		
Three Years Later	46	47	58	70	65	85	111			
Four Years Later	49	50	60	75	69	90				
Five Years Later	53	53	63	79	73					
Six Years Later	55	55	66	83						
Seven Years Later	58	57	68							
Eight Years Later	59	58								
Nine Years Later	61									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	105	120	131	169	160	192	230	300	338	315
One Year Later	112	119	140	157	151	192	258	293	321	
Two Years Later	113	120	133	153	195	193	344	288		
Three Years Later	116	110	129	150	193	187	241			
Four Years Later	110	108	126	148	142	174				
Five Years Later	110	105	123	148	139					
Six Years Later	109	104	120	150						
Seven Years Later	108	102	120							
Eight Years Later	104	101								
Nine Years Later	104									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	(20)	(12)	(19)	(21)	(7)	10	(12)	(16)	0

**Schedule 17**  
**Claims Development Information**  
**Last Ten Fiscal Years**  
**(Expressed In Thousands)**

Fire and Tornado Fund

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 5,193	\$ 6,934	\$ 7,849	\$ (492)	\$ 8,099	\$ 4,709	\$ 3,031	\$ 4,103	\$ 5,388	\$ (2,124)
2 Unallocated Expenses	986	847	979	819	1,344	1,340	849	768	915	800
3 Estimated Incurred Claims and Expense, End of Policy Year	2,698	1,249	10,588	2,363	3,386	4,663	1,162	1,501	998	1,516
4 Paid (Cumulative) as of:										
End of Policy Year	1,605	920	9,474	1,586	1,670	2,571	958	1,106	562	9,378
One Year Later	2,837	1,249	9,988	2,398	3,381	4,191	1,225	1,871	1,067	
Two Years Later	2,837	1,249	9,989	2,499	3,569	4,360	1,318	1,905		
Three Years Later	2,837	1,249	9,989	2,516	3,569	4,492	1,691			
Four Years Later	2,837	1,249	9,989	2,516	3,569	4,492				
Five Years Later	2,837	1,249	9,989	2,516	4,944					
Six Years Later	2,837	1,249	9,989	2,516						
Seven Years Later	2,837	1,249	9,989							
Eight Years Later	2,837	1,249								
Nine Years Later	2,837									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	2,698	1,249	10,588	2,363	3,386	4663	1,162	1,501	998	1,516
One Year Later	2,841	1,249	9,974	2,554	4,323	4502	1,550	2,009	1,146	
Two Years Later	2,837	1,249	9,974	2,503	4,873	4528	1,549	2,012		
Three Years Later	2,837	1,249	9,974	2,520	4,865	4520	1,711			
Four Years Later	2,837	1,249	9,974	2,520	4,864	4520				
Five Years Later	2,837	1,249	9,974	2,520	4,944					
Six Years Later	2,837	1,249	9,974	2,520						
Seven Years Later	2,837	1,249	9,974							
Eight Years Later	2,837	1,249								
Nine Years Later	2,837									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	139	0	(614)	157	1,558	(142)	550	511	148	0

**Schedule 17**  
**Claims Development Information**  
**Last Ten Fiscal Years**  
**(Expressed In Thousands)**

Bonding Fund

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>
1 Net Earned Required Contribution and Investment Revenues	\$ 179	\$ 401	\$ 22	\$ 157	\$ 214	\$ 202	\$ 195	\$ 140	\$ 133	\$ 70
2 Unallocated Expenses	51	57	37	25	34	25	28	22	33	36
3 Estimated Incurred Claims and Expense, End of Policy Year	392	173	(268)	128	49	22	4	(115)	39	94
4 Paid (Cumulative) as of:										
End of Policy Year	(254)	(328)	(417)	(61)	(148)	(179)	(202)	(157)	(32)	(35)
One Year Later	(254)	(328)	(417)	(61)	(148)	(179)	(202)	(157)	(32)	
Two Years Later	(254)	(328)	(417)	(61)	(148)	(179)	(202)	(157)		
Three Years Later	(254)	(328)	(417)	(61)	(148)	(179)	(202)			
Four Years Later	(254)	(328)	(417)	(61)	(148)	(179)				
Five Years Later	(254)	(328)	(417)	(61)						
Six Years Later	(254)	(328)	(417)	(61)						
Seven Years Later	(254)	(328)	(417)							
Eight Years Later	(254)	(328)								
Nine Years Later	(254)									
5 Reestimated Incurred Claims and Expenses:										
End of Policy Year	392	173	(268)	128	49	22	4	(115)	39	94
One Year Later	392	173	(268)	128	49	22	4	(115)	39	
Two Years Later	392	173	(268)	128	49	22	4	(115)		
Three Years Later	392	173	(268)	128	49	22	4			
Four Years Later	392	173	(268)	128	49	22				
Five Years Later	392	173	(268)	128	49					
Six Years Later	392	173	(268)	128						
Seven Years Later	392	173	(268)							
Eight Years Later	392	173								
Nine Years Later	392									
6 Increase in Estimated Incurred Claims and Expense From End of Policy Year	0	0	0	0	0	0	0	0	0	0

**Schedule 18**  
**Agricultural Production**

**Value of Export Shares of Agricultural Commodities - 2013-2014**

	2013 Dollars (Mil.)	2013 % of U.S.	2014 Dollars (Mil.)	2014 % of U.S.
Wheat	1,292.4	12.38	1,151.4	14.96
Soybeans and Products	1,182.8	4.38	1,316.6	4.49
Vegetables Fresh and Processed	230.4	3.43	196.7	2.80
Grain Products	163.7	4.49	157.3	4.25
Vegetable Oils	192.3	5.42	175.3	5.43
Feeds and Fodders	290.1	3.10	258.4	2.52
Corn	188.0	2.95	249.5	2.36
Beef, Veal and Pork	110.4	0.90	135.3	0.98
Dairy Products	1101.0	0.17	10.8	0.15
Other Livestock Products	52.2	1.45	56.6	1.65
Hides and Skins	37.8	1.21	38.2	1.31
Fruits Fresh and Processed	0.2	0.00	0.00	0.00
Poultry Products	2.6	0.12	2.8	0.12
<b>Total</b>	<b>\$ 4,513.8</b>	<b>3.07%</b>	<b>\$ 4,507.8</b>	<b>3.00%</b>

1/ Includes other nonpoultry meats, animal fat, live farm animals, and other animal parts.

2/ Includes turkey meat, eggs, and other fowl products.

3/ Includes processed feeds, fodder, barley, oats, rye, and sorghum.

4/ Includes peanuts (oilstock), other oil crops, corn meal, other oilcake and meal, protein substances, bran and residues.

5/ Includes sweeteners and products, other horticulture products, planting seeds, cocoa, coffee, and other processed foods.

Data sources: USDA Economic Research Service; USDA Foreign Agricultural Service (Global Agricultural Trade System).

Totals may not add due to rounding.

**2015 Crop Rank Among States**

North Dakota <u>Ranks</u>	<u>Crop Description</u>	North Dakota <u>Produces</u>
1st	Flaxseed	91%
	Canola	85%
	Pinto Beans	58%
	Durum Wheat	53%
	Spring Wheat	49%
	Sunflower Oil	41%
	All Dry Edible Beans	30%
	Honey Production	24%
	All Wheat	17%

Source: North Dakota Agricultural Statistics August 2015